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French telecom battle hots up, Page 4

World news | Business summary

Soviets' new offer on space weapons

Vladimir Petrovsky, the Soviet Foreign Minister, disclosed in Geneva that the Soviet Union has offered to negotiate separate agreements with the US banning the production of space weapons aimed at satellites or targets on earth.

The latest Soviet initiative on space weapons, introduced earlier this month represents a withdrawal from its previous position that called for a halt to the development of all space strike weapons.

The new proposals also suggest that strategic weapons should be limited to 8,000 nuclear charges on each side as a first step. Page 18

Troops repelled

Thai marines dislodged intruding Vietnamese troops after a two hour clash near the Kampuchean border in south-eastern Thailand. The Vietnamese were supported by artillery fire from inside Kampuchea.

Envoy to be absent

The US ambassador to Austria plans to be on holiday when Austria's newly elected President Kurt Waldheim is inaugurated. He said he had planned his trip long ago and would be represented by his deputy, but Austria's ambassador to Washington said it would be "an affront."

Walesa questioned

Solidarity leader Lech Walesa was questioned by police in Gdansk about his links with the underground opposition and to a US diplomat accused by Poland of spying. Poland also accused US and Western intelligence centres of training guerrillas and attempting to supply the opposition with, arms, explosives and paralysing gas.

Shipyard strike

Seven thousand French shipyard workers staged a one day strike at the start of a bitter struggle to save their jobs in the face of Government reductions

Greek rebuff

Greece said it was not prepared to hold a dialogue with Turkey and accused Turkish Prime Minister Turgut Ozal of using inaccuracies and groundlesss arguments in reply to a strong attack made on the Athens Government by him in Ankara.

Casino for Sydney

An American casino operator and an Australian construction company will build and run what they say will be the world's largest casino by Sydney Harbour. The New South Wales Government accepted a $468m tender to build the state's first legal casino. Page 4.

Trade war talks

Talks started between the US Agriculture Secretary and senior European Community officials in a last-ditch effort to avoid an all-out trade conflict over Community enlargement. The US threatens restrictive tariffs filing agreement before July 1. Page 4.

Reagan aid lobby

President Reagan lobbied legislators on television and in person in a bid for congressional passage of $100m in aid for Nicaraguan rebels, after his request to address the House was refused.

Police impostors

Leftist guerrillas disguised as policemen raided the studios and transmitters of two stations to broadcast a statement supporting a general strike against Chile's military Government.

Rebel successes

Right-wing rebels of the Mozambican National Resistance said they had killed 212 Government troops and militia in attacks in the Northern provinces on June 16 and 17 in which they derailed a train and occupied three towns.

Beghin Say issue to back sugar bid

BEGHIN SAY, French sugar and paper company controlled by Ferruzzi of Italy, launched FFr 502m ($70m) non-voting share issue designed in part to back Ferruzzi's efforts to take over British Sugar. Page 18

WALL STREET: The Dow Jones industrial average closed 11.29 up at 1,875.55. Page 38

TOKYO: Caution set in following the sharply rising trend of the past few sessions and the Nikkei average closed 115.49 lower at 17,342.40. Page 38

LONDON: Equities regained composure after Monday's technical shake-out. The FT Ordinary share index closed 1.2 up at 1,339.4 and the FT-SE 100 closed 2.1 higher at 1,624.9. Page 38

DOLLAR fell in London to DM 2.2220 (DM 2.2485); SFr 1.8220 (SFr 1.8475); FFr 7.0825 (FFr 7.1675), and Y168.60 (Y167.90). On Bank of England figures the dollar's index fell to 115.5 from 116.9. Page 31

STERLING rose in London to $1.5170 ($1.5000). It also rose to Y252.75 (Y251.75), but fell to DM 3.3700 (DM 3.3725); SFr 2.7650 (SFr 2.7725) and FFr 10.7445 (FFr 10.75). The pound's exchange rate index rose 0.1 to 75.8. Page 31

GOLD rose $2.50 to $343.25 on the London bullion market. It also rose in Zurich to $342.20 from $340.70. Page 30

OPEC economic analysts are divided about the scope for increasing the ceiling on oil output for the last quarter of the year. Page 2

NORMED, one of France's two main shipbuilding groups, took the first steps towards filing for bankruptcy by telling its employees that it could no longer meet its current liabilities. Page 2

YUGOSLAVIA has devalued the dinar by about 5 per cent, though no reference was made to the move in an economic policy package unveiled on Monday. The exchange rates have been gradually lowered since Friday.

OIL PRICES are likely to be kept at between $12 and $30 a barrel by market forces, according to BP, the UK energy group. Page 30

US TRADE representatives were due to meet Commission officials in Brussels in a last attempt to avert the first serious measures in a trade row between the US and the EEC. Page 4

GENERAL MOTORS, the US motor group, shelved plans for a "world van" which was to have been built in several countries. Page 9

MACK TRUCKS, US heavy lorry maker 40.6 per cent owned by Renault of France, plans to reduce the white-collar part of its workforce by 10 per cent by the end of this year because of overcapacity and foreign competition.

PHILIP MORRIS, US tobacco and consumer goods group, abandoned plans to sell its Seven-Up drinks subsidiary to PepsiCo following a Federal Trade Commission decision to challenge the deal.

RACAL, UK defence electronics group, suffered its first profits fall in 31 years with earnings for the year to March 31 down from £132.31m to £90.21m ($138m). Lex, Page 18, details, Page 24

FRANCE forecast that its real gross national product would expand by 3 per cent next year. Page 18

UK Stock Exchange chairman Sir Nicholas Goodison launched a campaign to promote wider share ownership by releasing 2,000 balloons from the roof of the exchange.

ARGYLL, UK supermarkets group, revealed that its unsuccessful bid for Distillers Company, launched in December, had cost £34.1m ($52m) – about a quarter of its net assets. Lex, Page 18, results, Page 24

STEYR-DAIMLER-PUCH, Austria's troubled vehicles and weapons group, doubled its losses last year.

E. MERCK, the family-owned German chemical group, is to make its first public share offering through its Swiss holding subsidiary. Page 21

PHILIPS, SIEMENS AND THOMSON IN TALKS

European groups consider joint chips research

BY GUY DE JONQUIERES IN LONDON

WESTERN EUROPE'S three largest semiconductor manufacturers, Philips of the Netherlands, Siemens of West Germany and Thomson of France, are discussing plans for a joint research programme to develop the advanced technologies needed to design and make microchips in the late 1990s.

The initiative, known variously as Joint European Silicon Submicron or Joint European Facilities, envisages the creation of a common research institute which would work closely with participating European companies and national research laboratories.

Some estimates put the likely cost at about $1.5bn over several years. But companies and government officials say that talks are still at an exploratory stage and that firm decisions on the project's scope and funding are unlikely before the end of the year.

The West German Government, which has already been asked to provide support for the project, is expected to report on it next Monday when ministers from 18 European countries meet in London to formalise arrangements for Eureka, the programme of high-technology collaboration launched last year.

So far, talks on the semiconductor research scheme have been confined to companies from France, West Germany and the Netherlands and their respective governments. However, they plan to seek to involve other European countries and the EEC Commission once the shape of the project is more clearly defined.

Philips, Siemens and Thomson are all seeking to assemble consortia, including smaller semiconductor makers, in their own countries. The eventual intention is to establish a network of co-operation between companies and universities across Europe.

The project grew out of talks between the French and German governments on industrial co-operation last year. Its broad aim is to identify and develop the key design and production technologies which Western Europe's semiconductor makers will need to be competitive with the US and Japanese industry leaders in 1995.

By then, the companies involved believe, technology will have advanced to the point where it will be possible to make microchip memories able to store 64m bits of computer data – more than 250 times the storage capacity of chips in full commercial production at present.

The German research and technology ministry, the initiative's main backer in Bonn, views it primarily as a successor to Siemens' and Philips collaboration on Mega-project. This is a five-year programme, launched in late 1984, to develop the technology to make the next generation of computer memories.

Philips' view is understood to be broadly similar. However, Thomson believes that the new project should be more free-ranging, with the emphasis on long-term basic research rather than on the development of specific types of component.

Siemens, on the other hand, appears less certain about its commitment to the initiative. It said yesterday that it was "not so deeply involved" as the other companies but was following the development of the talks with interest.

West German pledge to Eureka project, Page 2; US-Japan semiconductor talks, Page 4

Japan's GNP falls for first time in 11 years

BY CARLA RAPOPORT IN TOKYO

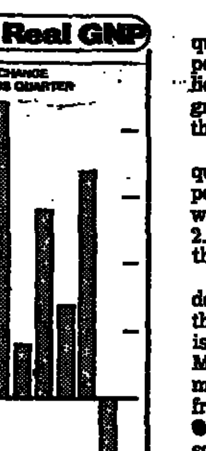
THE Japanese economy, hit by a fall in exports because of the rising yen, contracted 0.5 per cent in the first quarter compared with the last three months of 1985. It was the first decline in quarterly gross national product (GNP) in 11 years.

The Economic Planning Agency, however, said when it released the figures yesterday that it was maintaining its forecast that growth for the full year would reach 4 per cent. For the fiscal year ended in March, growth was 4.2 per cent, against 5 per cent in the previous year, the agency said.

"Toward the end of this year," an agency official said, "we expect to see the benefits of the higher yen in terms of cheaper imports improving the economic picture. Also, we are expecting the business cycle to change, with exporters targeting the domestic market as well as upgrading their export product line."

Exports in the first quarter fell by 4.9 per cent in real terms, largely because of a slowing in car shipments to the US as a result of voluntary export restraints. In the current quarter, however, exports to the US were picking up again, the agency said.

Significantly, the increase in the amount of money that companies are investing in plant and equipment dropped to 0.3 per cent in the first quarter, against 2.5 per cent in the previous quarter. Agency officials said, however, that companies were only hesitant about the current economic situation. When the yen exchange rates have settled down, the EPA expects private plant investment to increase.



On an annual basis, the first quarter's decline works out at 2.1 per cent, but agency officials believe that Japan will see quarterly growth of at least 1.4 per cent over the next three quarters.

Consumer spending in the first quarter of this year showed a 0.7 per cent quarter-on-quarter gain, while private housing increased by 2.5 per cent, against 2.2 per cent in the previous quarter.

Real GNP came to Y293,959.8bn, down 0.5 per cent on the quarter. Of the 4.2 per cent real growth registered for the fiscal year ended in March, 3.5 per cent came from domestic demand and 0.7 per cent from exports.

● Prime Minister Yasuhiro Nakasone yesterday forecast stronger growth later this year. Campaigning in northern Nagaoka for the July 6 general election, he said that, "after the summer, the Japanese economy will further strengthen its expansionary trend." Speaking after the economic agency released the latest GNP figures, he noted that, despite falling export levels, individual consumption and housing and equipment investment were still rising.

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Scott to buy Bowater stake

BY TONY JACKSON IN LONDON

SCOTT PAPER of the US is to take full control of Bowater Scott UK, the maker of Andrex toilet paper and Scottie tissues, for £60m ($90m). The deal is part of a major investment by Scott in the European tissue market expected to total over $200m.

Bowater Scott, a 50/50 joint venture between Scott and Bowater Industries, the UK packaging and merchanting group, operates in Britain and Australia. Scott's stake in Bowater Scott Australia is to be bought by Bowater for £18.25m.

Scott, the world's biggest producer of tissues, is also to invest $40m on replacing a paper machine at its mill at Duffel in Belgium, and up to $80m on a new mill in France, on a site yet to be decided. Both investments are directed at improving Scott's share of the French market for toilet paper and other tissues.

Bowater Scott UK made a pre-tax profit of £6.2m last year on sales of around £200m. Bowater's share of the assets have a book value of £29.5m, just under half the price being paid by Scott. Bowater said last year's performance in Britain was depressed by heavy investment and redundancy costs. In 1983, before the investment programme, Bowater Scott had made a profit of £24m, of which £16m was made in the UK.

Bowater said that part of the proceeds from the sale would be used to refinance the £30m cost of acquisitions made for cash already this year. The rest was earmarked for acquisitions in the fields of speciality packaging and builders' merchanting, in which the group had decided to specialise.

Bowater said the Australian business had the two advantages of being largely self-sufficient in pulp as a raw material, and being geographically removed from the threat of cheap imports. The business is to enter into a technology agreement with Scott, which will also license to Bowater the trade marks now used in Australia.

Scott said its decision to invest heavily in European tissues, where it is already market leader, reflected the fact that it saw this region as its main strategic priority. The group is also presently investing $200m on a paper machine in the US, to produce coated paper for the advertising and mail order markets.

Scott's sales of European tissues last year were $630m, and the group said it expected sales this year to be $800m, based on dollar weakness and sales growth in Spain and Italy. Volume sales of tissues in Europe this year would be around 440,000 tonnes.

Lex, Page 18; Analysis, Page 19

Bombs in S. Africa as ANC meets UK minister

By Jim Jones in Johannesburg and Peter Riddell in London

TWO BOMBS exploded yesterday in central Johannesburg, injuring more than 20 people.

About 15 white customers and passers-by were injured when a bomb destroyed a hamburger restaurant and sent shards of glass flying into the crowded street, just before 2pm. Half an hour later another bomb exploded outside a large hotel, injuring several pedestrians. Ambulances and police cars with sirens wailing rushed to the scene.

Eyewitness details are restricted by press censorship, and only official photographs of the explosions may be published.

In London, officials of the African National Congress were last night awaiting reports on the blasts from ANC headquarters in Lusaka, the Zambian capital, from which any claim for responsibility would be issued.

If the ANC does claim responsibility, the blasts would suggest a significant escalation in the organisation's guerrilla campaign, indicating that it has chosen to attack civilian targets in the city centres at peak business hours.

In any case, the explosions seemed certain to fuel growing anger among many British Conservative MPs over last night's meeting between Mrs Lynda Chalker, a Foreign Office minister, and Mr Oliver Tambo, the visiting ANC leader.

Last night's meeting, Britain's first ministerial contact with the ANC, marks a significant shift in policy. In the past, London has insisted that the ANC should first renounce violence before any such meeting could take place.

Speaking after the session, Mrs Chalker said that it had been "a serious, candid and useful meeting about the hopelessness of violence." Mr Tambo had put his case for greater pressure on Pretoria from the British government.

Mr Tambo had not changed his position, said Mrs Chalker: "The important thing is that he does not want violence any more than anyone else wants violence." She told Mr Tambo that the British Government was "committed to a multi-racial democracy in South Africa."

"We were talking and listening to each other in a way that would not have been thought possible," said the minister.

The British Foreign Office said that the discussions had been useful and candid. Mrs Chalker had emphasised the British Government's continuing commitment to

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Mexico 'unable' to pay debt on current terms

BY DAVID GARDNER IN MEXICO CITY

MEXICO can no longer meet its full foreign debt obligations on the terms agreed with its creditors and will not waste its foreign exchange reserves in what would be "a useless effort" trying, according to Mr Gustavo Petricioli, the country's new Finance Minister.

Mr Petricioli, who was speaking in Mexico City on Monday in his first public statement since his surprise takeover of the Treasury from Mr Jesus Silva Herzog last week, also ruled out a unilateral moratorium on the country's $97bn foreign debt. He said this option was as unviable as "the other extreme of strict and punctual compliance with Mexico's debt service obligations."

He hinted strongly that Mexico would now seek to pay debt service on a sliding scale tied to its earnings from exports, and oil revenue in particular.

Following this year's oil price collapse, payment under current terms was unacceptable, the Finance Minister said, and he expected Mexico's creditors to understand this.

"A new era" of debt negotiations was starting, he said, and Mexico would be seeking agreement with its creditors on "a formula which allows us to continue servicing the debt on terms which are reasonable, equitable, and appropriate to the circumstances we are living – not what we have to pay but what we can pay – without further depressing the living standards of the Mexican people."

Mr Petricioli's statement appears to confirm fears among creditors that Mexico intends to pursue a tougher line on its debt, following the departure of Mr Silva Herzog.

As much as with new money, Mexico would require improved terms for paying its existing debt to allow the country "stable development," which he defined as minimum growth levels of 3 to 4 per cent in 1987-88.

Mexico could not and would not continue to absorb the full impact of the oil shock by itself, as it had done during the first half of this year. This "strategy of containment" had won no concessions on debt, was leading the country towards hyper-inflation and the destruction of its manufacturing base, and was thus exhausted." Mr Petricioli said.

In an implicit reference to Mexico's long-drawn-out negotiations with the IMF on a new economic programme, Mr Petricioli, who was accompanied at the press conference by Mr Carlos Salinas, the Planning Minister, said the Government would not accept the imposition of "a recession which would become a depression."

The IMF has been insisting on a sharp reduction in Mexico's budget deficit, which is this year expected to exceed 13 per cent of GDP; more than double the original target.

Mr Petricioli and Mr Salinas out-

Continued on Page 18
Volcker warning to debtor nations, Page 4

Lagos plans two-tier foreign exchange

BY MICHAEL HOLMAN, AFRICA EDITOR, IN LONDON

NIGERIA is expected to introduce a two-tier foreign exchange system from October, a move which could lead to an agreement with the International Monetary Fund (IMF) and in turn open the way for rescheduling of the country's external debt.

An announcement about the new system and its place in the country's structural adjustment programme which has been drawn up with the help of the, IMF and the World Bank, is being prepared by President Ibrahim Babangida, the head of Nigeria's military Government. But he first has to overcome opposition within the country to the IMF, which was the target of considerable criticism during a national debate on the economy last year.

Western bankers and Nigerian Government officials view the impending announcement as a landmark in the country's efforts to come to terms with the consequences of the slump in the price of oil, which accounts for over 90 per cent of export earnings. Imports have been cut to a forecast $6bn this year compared with $19.1bn in 1981.

Despite these import cuts, short-term trade arrears amount to at least $4.8bn, and medium and long-term debt stands at $13bn.

In April this year Nigeria negotiated a 90-day freeze on repayments of principal due on the country's $7bn medium and long-term commercial bank debt, extended for three months at a meeting with the banks in New York earlier this month.

But both the banks and Western government creditors have made clear that rescheduling of the coun-

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Cogema to advise on spent uranium

By David Marsh in Paris

COGEMA, the French nuclear fuel company which services about 40 per cent of the West's nuclear power stations, is about to offer electricity utilities advice on long-term storage of spent nuclear fuel as an alternative to immediate reprocessing.

The move follows recognition by Cogema that reprocessing of burnt uranium to produce plutonium is becoming a less attractive proposition for some utilities because of the slump in the uranium price.

Mr Francois de Wissocq, the chairman of Cogema which is owned by France's Atomic Energy Commission (CEA), yesterday said that the world nuclear industry was facing "difficult circumstances" after the Chernobyl accident.

He also voiced concern over the possible effect on Cogema's uranium sales in the US following a court injunction granted in Denver, Colorado, on Friday supporting an attempt by US miners to block imports from other countries.

Although the US Department of Energy has said it will not back the move, the court action could, Cogema believes, block imports of uranium by big utilities such as the Tennessee Valley Authority.

Mr de Wissocq said that the legal step, if implemented, could herald a two-tier market for uranium, with American utilities effectively having to pay a higher price than those abroad. This was a move away from fair competition, he said.

Mr de Wissocq said Cogema, which made a group profit of FFr 821m ($129m) on total sales of FFr 21.2bn last year, needed to be "extremely flexible" in its management of fluctuating demand for nuclear services caused by the fall in nuclear capacity compared with levels forecast a decade ago.

Cogema is the only company in the world which offers utilities fully integrated services ranging from uranium mining and enrichment to fuel fabrication, storage and reprocessing.

Cogema runs the world's biggest reprocessing plant for fuel from light water reactors at La Hague on the Normandy coast.

Opec divided on scope for higher output

BY RICHARD JOHNS IN BRIONI, YUGOSLAVIA

THE organisation of Petroleum Exporting Countries' top economic experts are divided about the scope for increasing the much abused and, since the start of 1986, highly notional ceiling on collective output in the last quarter of the year.

The majority view, expressed in the confidential report of the economic commission board to be submitted to the ministerial conference beginning here today, is that demand for Opec crude and stocks in that period will run at 18.4m barrels a day.

Such a rate should, on the face of it, allow the limit to be raised from the 16m b/d set in 1984 to 18m b/d—generally regarded as the minimum sufficient to allow any new accord on quotas and to give it a chance of being observed.

The minority, in effect the triple alliance of Algeria, Libya and Iran—are understood to take a more pessimistic view about consumption in the non-Communist world, saying that it will not exceed 46m b/d over the full year.

The majority of the board—made up of representatives of the 13 member states—estimate it at 46.3m b/d, very much in line with the International Energy Agency's latest projections of 46.4m b/d. It also foresees demand for Opec crude and stocks at 18.7m b/d, depending on the stocks' movements. The two camps' experts also disagree about non-Opec supplies, with the minority putting them 400,000 b/d more than the 28.6m b/d calculated by the majority.

The differences revealed in the report reflect the basic split in Opec between the triple alliance, seeking to reduce the group's output as a means of forcing up prices, and the rest seeking to increase market share.

It is generally accepted that there is no chance of a compromise here and little prospect of one at a subsequent meeting in the late summer.

On their arrival here yesterday at this idyllic Adriatic isle, Mr Belkacem Nabi Algerian Minister of Energy, and Mr Fawzi Shakshuki, Libyan chief delegate, made it clear that there had been no shift in their governments' positions and their priority remained restoration of prices to $28 per barrel as soon as possible.

Actual demand for Opec crude will depend in part on how far non-Opec producers and in particular the five prepared in principle to collaborate — Mexico, Egypt, Oman, Malaysia and Brunei — are willing to collaborate as well as the volume of production closed down by this year's price collapse.

The five Opec chief delegates — those of Saudi Arabia, Kuwait, Indonesia, Venezuela and Nigeria — who were asked at the last meeting in Geneva to make contacts with non-members, have held two meetings here since their arrival. Asked about their talks, Dr Subroto of Indonesia said: "We have brought no new proposals."

He referred to Malaysia's willingness to cut exports by 10 per cent, saying that such support would only be forthcoming "if Opec came up with a production management." Yet in a chicken and egg situation the achievement of that tends to be regarded by Opec as contingent to an extent on the behaviour of non-member producers.

The conference presidency of Sen Arturo Hernandez Grisanti, the Venezuelan Minister of Energy, which comes up for renewal, looks as if it will be an issue. He was widely criticised by delegates for his handling of the two marathon meetings in March and April.

Algeria faces uphill task to maintain level of investment

BY CHRISTIAN TYLER, TRADE EDITOR

ALGERIA WILL try to maintain its investment in domestic development despite a fall of up to 50 per cent in its earnings on hydrocarbon sales this year, according to a British review of the economy published this week.

Pressed by the need to keep pace with its population growth and to continue diversifying its industry, the country will seek to maintain investment at 40 per cent of gross domestic product.

This in turn will mean greater foreign indebtedness, to fund essential projects, and further cuts in non-essential imports. The import budget has already been cut in April from 48bn dinars (£6.6bn) to 38.5bn dinars.

Exporters to Algeria must therefore expect "a much tighter and more competitive market," the review says, with demand weighted towards intermediate goods and industrial spares and equipment.

The review of Algeria's 1985-89 development plan, by Mr Sinclair Road, former director of the UK Committee for Middle East Trade (Comet), explains Algeria's opposition, with Iran and Libya, to the abandonment of Organisation of Petroleum Exporting Countries (Opec) oil production quotas. The Opec countries meet again today on the Adriatic island of Brioni.

Diversification into export of refined oil products, condensate and natural gas enabled Algeria to limit the decline of its hydrocarbon revenues to only 7 per cent between 1980 and 1984. Over the same period the combined oil revenues of the Gulf states, Saudi Arabia and Libya fell by more than half.

But now Algeria's hydrocarbon export earnings are likely to fall by the same amount this year, to $7bn. "There is less that the hitherto successful strategy can do to help," the report says.

At the same time, gas supply contracts with France, Belgium and Spain are being renegotiated, probably at lower prices.

The country depends on oil and oil products for 98 per cent of foreign exchange earnings.

Algeria is the third largest Arab market after Saudi Arabia and Egypt. The UK's share was less than 3 per cent, compared with a Middle East market share of over 9 per cent last year).

"British failure to penetrate this market is variously attributed to lack of information about its potential and to the erroneous belief that it is still a French preserve," Mr Road says.

1985-89 Algerian Development Plan; COMET, 33, Bury St., London SW1Y 6AX; £12.50.

W. Germany pledges DM500m to Eureka

BY RUPERT CORNWELL IN BONN

THE Bonn Government is pledging almost DM 500m (£148m) of public funds to help finance projects covered by the Eureka programme for west European high technology co-operation and which involve West German interests. Their number is expected to jump from the present total of four to 19, following the third 18-nation ministerial conference of Eureka, which begins in London next week.

Although the financing will be spread over a full decade until 1995, the promise made by Mr Heinz Riesenhuber, the Technology Minister, nonetheless significantly widens Bonn's commitment to the scheme, which took its first shape at the previous conference in Hanover last November.

On that occasion the four existing projects with West German participation were among 10 endorsed by the ministers. But after much wrangling within the centre right coalition, only DM 50m of budgetary funds were formally earmarked, leaving considerable doubt about just how far a Government dedicated to fiscal belt-tightening was in fact prepared to relax its principles in favour of Eureka, whose contours are still somewhat hazy.

The 19 projects, according to Mr Riesenhuber, are worth DM 1.6bn, of which the share falling to West German companies and other organisations is DM 625m. Of this, the Government will be providing DM 485m, including DM 200m for three multinational ventures in the field of the environment.

The 15 new projects, among 60-odd which are ready for launch in London, include the development of ceramic materials for use in diesel engines, a scheme to investigate the ecological balance of the North Sea and work towards a "thinking car," a venture which is likely to embrace all major European motor manufacturers.

The minister also confirmed that London is due to decide on the site—Brussels and Strasbourg are the two candidates—for a small secretariat to act as a clearing house for Eureka. Its staff is likely to be around 12 and its main job to operate a data bank and information system to enable small companies and other interested parties in the 18 countries to keep abreast of projects in which they might wish to take part.

Romania to review N-power programme

By Leslie Colitt in Berlin

ROMANIA has announced a review of its long-delayed atomic energy programme, the first Warsaw Pact country to do so, as a result of the Soviet nuclear accident at Chernobyl.

Mr Nicolae Ceausescu, the Romanian leader, said the programme to build nuclear power plants would be reviewed and safety standards improved. He noted that the Chernobyl accident had shown no European country was immune from the nuclear danger.

Romania was subjected to a considerable dose of radioactivity from the damaged Chernobyl reactor in the adjoining Ukraine.

While the Romanian news agency Agerpres quoted Mr Ceausescu as speaking of a review, Radio Bucharest said in its foreign language services that he called for the nuclear programme to be revised.

In his speech to a high-level meeting of the Communist Party, Mr Ceausescu said the country's severe electric power shortages "should largely be solved" by 1990 and that new coal-fired and hydro-electric power plants and a nuclear plant would be commissioned.

Romania was to have had its first nuclear power plant with Canadian reactors in operation at Carnavoda by 1984. But problems with payments and construction work at the site led to long delays. Romanian officials said earlier this year that Cernavoda was expected to produce some power next year but the Canadians said a more likely date would be the early 1990s.

Bonn to reorganise state funding system

BY JONATHAN CARR IN FRANKFURT

WEST GERMANY'S *finanzausgleich* system—under which the financially stronger regional states transfer funds annually to help out weaker ones—faces upheaval following a decision yesterday by the federal constitutional court.

The court, the highest in the country, declared key parts of the system to be unconstitutional and demanded that changes be made in time for the 1988 fiscal year at the latest.

This means that the Federal Government and the laender states are heading for highly tricky negotiations—not unlike the EEC's budget talks—on how the burdens and benefits will be divided up in future.

Officials in the states were yesterday ploughing through the court's complex judgment, but initial reactions—both from donors and recipients—indicated satisfaction with the results.

The Federal Government, however, said it favoured "intensifying" the *finanzausgleich* system but stressed it had no extra funds to offer of its own.

Under the system the tax revenue of each state is compared with the average for all states. Broadly speaking, those clearly above the average have to pay into a common pool while those below it are recipients.

The system initially worked quite well but in recent years has been under almost intolerable strain. The constitutional court finally faced complaints from six states (out of 10) who either thought they were paying too much or not receiving enough.

For example, the southern state of Baden-Württemberg, which has a high economic growth rate and relatively little unemployment, now alone puts up roughly 70 per cent of the funds available for transfer (a total DM 2.5bn (£741.8m) last year.

The state of North Rhine-Westphalia neither contributes to nor receives from the pool. But it demands funds on the grounds that it has a high concentration of relatively declining sectors like iron and steel on its territory.

The court has now made clear that the system is not fulfilling the aim expressed in the constitution of achieving a broad economic and social balance among the different regions. It is now up to Bonn and the states to find a better one.

Sudan oil search resumes

BY MARY ANN FITZGERALD IN NAIROBI

CHEVRON OIL is to resume prospecting in war-torn southern Sudan under military protection, the official Sudanese News Agency (Suna) has reported. The decision is regarded as a sign of investment confidence in Prime Minister Sadiq el Mahdi's three-month-old coalition government.

Suna quoted Mr el Mahdi as saying exploration would start in July in the Upper Nile province with the army and former rebels guarding installations.

Chevron closed down its multi-million dollar operation in the south following a February 1984 attack by the Sudanese Peoples Liberation Army (SPLA) that left three employees dead and several others wounded. Earlier this month 27 Britons were evacuated from the southern capital of Juba as rebel activity in the area mounted. Several have since returned. The SPLA are fighting for the repeal of Sharia law and greater regional autonomy.

Chevron's withdrawal has suspended the construction of a 890 mile pipeline from the company's oilfields at Bentiu in the Upper Nile province to Port Sudan on the Red Sea. The original schedule called for 50,000 barrels a day to be pumped through a $900m pipeline starting last January. The shutdown is estimated to have cost Sudan $330m in lost export revenue this year.

Soviet drive against drink makes headway

By Patrick Cockburn in Moscow

THE SOVIET campaign against drunkeness launched a year ago appears to be making some headway, according to an opinion poll carried out by the Institute of Sociological Research of the Soviet Academy of Sciences.

The survey showed that 8 per cent of people said they had given up alcohol completely and another 30 per cent said they had cut down on the amount they drank. Some 15 per cent, however, said that the amount they drank had not changed at all.

The poll, carried out across the country according to a report in the daily Izvestia, revealed that 49 per cent of people questioned said they agreed with the anti-alcohol measures, 26 per cent said the measures should be stricter, 14 per cent said they were too strict and only 1 per cent disapproved.

The most effective measures againsta alcohol seems to be punishment of people drunk at work, in public places or when driving.

Some 78 per cent of people in cities still drink on holidays and the same number said they continue to drink to celebrate family occasions, holidays, payday, weekends.

Strike ends at Olympic Airways

By Andriana Ierodiaconou in Athens

OLYMPIC AIRWAYS pilots and engineers returned to work yesterday after a unanimous union vote to end unconditionally a 13-day strike which severely disrupted flights and caused the dismissal and imprisonment of a number of strikers. The strike had been called in support of demands for higher wages and lower taxes.

An announcement issued by the pilots' union said the strikers had decided to return to work "out of a sense of responsibility towards passengers, Olympic Airways employees and all economic sectors involved in tourism."

In effect, the strike was broken by the severe government crackdown against participating members of the pilots' and engineers' unions.

What remained unclear yesterday was the fate of 68 strikers fired for taking part in the action, another 10 remanded in custody and a further 40 whose properties were impounded.

Asbestos safety move

Government, employer and worker representatives from 150 countries attending the annual session of the International Labour Organisation yesterday virtually unanimously passed an international convention sharply restricting the use of asbestos, a mineral which can cause fatal lung diseases.

IAEA seeks N-accident pact

BY PETER BRUCE IN BONN

A MAJOR effort is to begin in Vienna next month to find ways of including military nuclear facilities in a legally-binding, global agreement which will dictate how governments have to behave in the event of a serious nuclear accident on their territory.

A three-week conference of government experts, including officials from the Soviet Union, is due to start in the Austrian capital on July 21, under the aegis of the International Atomic Energy Agency (IAEA).

The conference will have instructions from IAEA member governments to put together agreements on an internationally-applicable early warning system and on rules governing emergency assistance to an affected country.

The IAEA arranged the conference at the request, initially, of the West German Government and later with the support of the Soviet authorities, following the disaster at the Chernobyl nuclear power plant near Kiev.

The conference is likely to concentrate on civil nuclear facilities but Mr Hans Blix, director-general of the IAEA, said yesterday after two days of talks with Bonn government ministers, that he hoped those installations which also served a military purpose could be included in the agreements.

He conceded that this might be somewhat ambitious, given the secrecy involved in the production and deployment of weapons-grade nuclear material. But he insisted: "I do not think we should let the best be the enemy of the good."

The results of the conference are due to be put before a gathering of cabinet ministers from IAEA member countries, provisionally scheduled to start on September 24.

This meeting, the short-term culmination of efforts by Bonn to generate international political activity on nuclear safety following the Chernobyl accident, will be empowered to adopt the experts' draft agreements.

It will also hear a full report on the accident due to be made available to the IAEA in August.

Normed files for bankruptcy

BY OUR PARIS CORRESPONDENT

NORMED, one of France's two main shipbuilding groups, yesterday took the first steps towards filing for bankruptcy by telling its employees that it could no longer meet its liabilities.

The statement was made by Mr Jacques Dollois, the company's chairman, to a works council meeting. It was made inevitable by the Government's decision to cut back cash assistance.

The collapse of Normed puts at risk 6,800 jobs in the French shipyards. But of these it was yesterday hoped to save at least 1,200 at La Ciotat yard on the Mediterranean. Trade unions yesterday rejected the management's decision to file for bankruptcy and demonstrated their anger by strikes at the three yards owned by the group. But it was still unclear whether they will turn to more militant protests, given the present resignation among much of the workforce.

Mr Alain Madelin, the Minister of Industry, is to announce this week generous redundancy and retraining payments for shipyard workers. The Government is also exploring the possibility o creating new jobs in the regions concerned, by setting up free trade zones and persuading other companies to take over part of the facilities.

Under French procedures, Normed is to make its formal petition for bankruptcy before the Paris commercial court today. The court can then appoint an administrator to try and salvage the group or else declare it bankrupt

The Government wants to force the administrator and the company to take any decisions on possible closures and redundancies.

The failure of Normed marks the largest bankruptcy in France since Creusot-Loire

Splits appear in Spanish right wing

By David White in Madrid

DIVISIONS within the coalition of right-wing opposition parties in Spain have come out into the open following Sunday's general election.

The two smaller partners, the Christian Democrat PDP and the so-called Liberal Party, are poised to challenge Mr Manuel Fraga, leader of the three-party Popular Coalition.

The PDP described the result, in which Popular Coalition roughly maintained its position with 105 seats in the 350-member Congress, as "clearly unsatisfactory" and threatened to take its 19 representatives in the new Congress out of Mr Fraga's group.

The party blames Mr Fraga for failing to present a sufficiently moderate image.

In a tactical move, Mr Oscar Alzaga, the PDP leader, offered his resignation to his party's executive commission, meeting this weekend. The Liberal Party, led by Mr Jose Antonio Segurado, which had 12 of its members elected in the Popular Coalition lists, was holding a post-ballot meeting yesterday.

The PDP cannot, under current rules, form its own parliamentary group since it did not contest the elections on its own.

Foreign capital injection 'needed in Mediterranean'

BY JAMES BUXTON IN ROME

COMPANIES in Western Europe should make equity investments in the non-European countries around the Mediterranean in order to support their economies in the wake of the fall in the oil price.

This is the proposal of Mr Franco Reviglio, the chairman of ENI, the Italian state energy company. He sees it as a way of reducing the "serious political and economic dangers which menace not only the south shore but also the north" of the Mediterranean.

Mr Reviglio's idea, which he put to an Aspen Institute meeting in Istanbul, is that the fall in the oil price will not only cut drastically the incomes of oil producing countries (Opec's revenues will fall to $75bn [50bn] this year compared with $135bn last year, he said) but will also affect non-oil producing countries along the south side of the Mediterranean.

This is because the flow of aid from the richer Opec countries to south Mediterranean countries is likely to dwindle, Mr Reviglio said.

Although countries such as Turkey, Morocco and Israel, which are not net oil exporters, will benefit, other countries such as Libya, Egypt and Algeria will see their gross domestic product decline this year. Many countries might have to cut domestic subsidies for subsistence goods including food, posing a threat to regional stability.

Mr Reviglio said that Western European countries, which will be saving $40-$45bn on the cost of oil exports this year, will also suffer from the decline of markets for their goods in these countries. The south Mediterranean countries take about 7 per cent of all Italian exports, more than the US does.

The only way to soften the blow is to inject foreign capital into south Mediterranean countries to maintain "at least some of the momentum of development." It would be "cheaper and more efficient" to do this by means of equity investments rather than soft loans, Mr Reviglio claims.

Companies would put up one third of the cost of development projects in the form of equity. The recipient country would also invest equity, even if it had to acquire it in the form of grants from the foreign partner's government. A financial and technical body would have to be created to single out projects, and host countries would have to allow the foreign equity investor strong management control of projects and a return on the equity.

Mr Reviglio said that ENI would promote the creation of a body to study and implement projects and would ask European and Arab financial institutions to participate. He said that ENI was prepared to invest in any project in the energy sector.

Austerity measures dominate Yugoslav Congress

BY ALEKSANDAR LEBL IN BELGRADE AND DAVID BUCHAN IN LONDON

MR BRANKO MIKULIC, the Yugoslav Prime Minister, today will seek from the Congress of his ruling Communist Party endorsement of emergency economic measures that were announced and debated in an all-night parliamentary session lasting into yesterday morning.

The measures, including currency depreciation, increased export incentives and somewhat tighter price and wage controls, were criticised by some in parliament as inadequate to deal with Yugoslavia's dire economic situation, characterised by inflation galloping at an annual pace of 80 per cent, an $18.4bn (£12.2bn) hard currency debt, rising unemployment, stagnant real wages and industrial production.

But the Government has already said it plans further measures in July and September. The timing of this week's measures by the Mikulic Government, in office less than six weeks, reflects the expectation that the economy will top the congress agenda of a party already deeply troubled by the rise in nationalist and regional frictions in the federation, its own weakness in countering these centrifugal tendencies and its failure to draw enough young people into its 2.1m ranks.

Most controversial for the nearly 1,600 delegates will be the government request that wage rises be linked to productivity increases. This will be held, by some, to strike at "self management," the right of workers to run their own affairs which is at the heart of the Yugoslav ideological credo. But since this restriction will be left to the country's eight republics and provinces to administer — the Government plans new wage legislation, but only next year — the effect on inflation is likely to be minimal.

Other, more economically significant measures taken include:

● An increase from 30 to 120 days in the advance notification which companies must give the Government of intended price rises on 42 per cent of industrial goods, plus a rollback to March 1 levels in the prices of some other goods.

● Improved credit terms and import rights for export-oriented companies to offset this year's new requirement that they surrender all hard currency receipts on to the foreign exchange market, widely perceived to be an export disincentive.

● Faster depreciation of the dinar, which fell 5.2 per cent against the dollar yesterday. The Yugoslav Chamber of Economy, the widest grouping of industry, was earlier claiming the dinar was overvalued by 30 per cent.

● Interest rates to be effectively slightly lowered by fixing the 12 month deposit rate according to a moving average of inflation in the past three months and of expected price rises in the coming four months. Since Yugoslav officials always anticipate lower inflation than they actually get, this formula will marginally lower interest rates.

Congresses of the League of Communists of Yugoslavia, the federal party's exact title, are not the predictable rubber-stampers of government policy that their counterparts in the Soviet bloc are. On the other hand, much of the four-day debates will focus on the party's own structure.

At the last LCY congress, in 1982, an outright proposal to scrap the eight "sub-parties" organised on republican and provincial lines was virtually shouted down. But the mood is now to give the federal party a stronger role by subtler means. This time delegates will, for the first time, elect by secret ballot the LCY central committee, instead of simply verifying choices made earlier by regional parties.

The Congress is also sure to focus on the situation in the troubled province of Kosovo, where a backlash of minority Serbs and Montenegrins is now evident against nationalist agitation by the ethnically Albanian majority.

Reflecting Yugoslavia's leading role in the non-aligned movement and its good relations with East and West, some 120 foreign delegations are expected to attend the Belgrade Congress, with the Soviet group led by Mr Geidar Aliyev, Politburo member and deputy prime minister.

Poland's Interior Ministry yesterday kept up its campaign to stay in the public eye by alleging that the banned Solidarity organisation is linked to Western espionage groups and that the US is training terrorists in New Jersey to be sent to Poland and Munich in West Germany, Christopher Bobinski writes from Warsaw.

The allegations were made as preparations began for the Communist Party Congress next Sunday at which the Interior Ministry, led by the ambitious General Czeslaw Kiszczak, is keen to demonstrate its continuing diligence.

Last weekend Mr Stephen Mull, a junior US diplomat, was accused of being a CIA agent, giving the authorities the opportunity to insinuate that Mr Lech Walesa, the Solidarity leader, and Father Henryk Jankowski, his adviser in Gdansk, are also involved.

Mr Walesa, who has applied to travel to Rome next week for a meeting of Nobel peace prize winners, was questioned yesterday in connection with Mr Sbigniew Bujak, the underground Solidarity leader arrested on May 31. Since the arrest, Warsaw has seen a steady stream of house searches and detentions and two trials of rank and file Solidarity supporters, all designed to underscore police vigilance

At the same time the authorities, with an eye to their relations with the West, are hinting to diplomats that Mr Bujak and others will be covered by an amnesty after the Congress.

Luanda sounds out rebels

BY MICHAEL HOLMAN

SENIOR officials of Angola's ruling MPLA party last week met a representative of Unita, the guerrilla movement led by Dr Jonas Savimbi, according to Africa Confidential, a fortnightly newsletter.

The meeting in London, "to discuss ways of starting a dialogue," said the newsletter, is thought to be the first to take place at this level. The Luanda Government was represented by Mr Afonso van Dunem, the Foreign Minister. He met Mr Tito Chingunji, number three in the Unita hierarchy.

The talks had the approval of President Eduardo dos Santos, reports the newsletter.

Unita has been waging a guerrilla campaign against the Luanda Government from its stronghold in the south of the country, with South African backing. The US is also providing limited assistance, including the supply of Stinger surface-to-air missiles.

Although the talks in London are described as "a sounding out exercise" rather than formal negotiations, the newsletter says that "the differences between the pragmatic nationalists in the MPLA and a number of top Unita officials are far from insuperable."

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OVERSEAS NEWS

Asean calls for nuclear arms-free zone treaty

By Chris Sherwell in Manila

FOREIGN Ministers of six non-Communist South East Asian nations ended their annual meeting in Manila yesterday with calls for a draft treaty creating a nuclear-weapons-free zone and sharp attacks on Japan, their biggest trading partner.

The two-day meeting, which was notable for its criticism of the grouping's lack of progress in co-operation, produced an 89-paragraph communique which looked to a heads of government summit meeting next year to set new directions in co-operation and relations with third countries.

The Association of South East Asian Nations (Asean) — embracing Indonesia, Malaysia, Thailand, the Philippines, Singapore and Brunei — also signed an agreement on energy co-operation and a petroleum securities pact under which Asean members will share crude oil and petroleum products in times of shortage and glut.

Although the proposal for a nuclear-weapons-free zone is not new it has recently receivec added impetus from the Tlatelolco agreement among Latin American countries and the South Pacific Nuclear Free Zone Treaty, signed at Raro Tonga last August.

In their communique the ministers demanded that an official working group draft a treaty for South East Asia "as soon as possible." But little progress is likely before a settlement of the vexed Kampuchean problem, which is seen as an obstacle to Asean's ultimate goal of a zone of "peace, freedom and neutrality" in South East Asia.

An accord also seems impossible without a clear indication of what will happen after the Philippines' military bases agreement with the US expires in 1991. Some Asean members worry that a change in existing arrangements will upset the regional balance of power.

Among Asean's leading trading partners, with whom talks begin tomorrow, the communique singles out Japan for the sharpest criticism. The six expressed "grave concern" at the declining trend of Japanese investments in Asean, the continuing structural imbalance in Asean-Japan trade and the lack of access for Asean manufactures in the Japanese market.

Thai refinery fire raises fears about foreign investment

By a Special Correspondent in Bangkok

THE Thai Government yesterday promised to track down the people behind Monday's burning down of a tantalum processing factory on the southern island of Phuket, amid growing concern about the effect on foreign investment.

The demonstration took place at a time of political tension with a general election due in a month's time and the military still uneasy about recent changes in the control of the army. Although there is no concrete evidence at this stage there is speculation that there might have been a political motive behind the violence in an attempt to discredit the government.

Government Ministers and businessmen are worried that the incident will discourage foreign investment and damage the island's tourist industry.

The demonstrations, said to have involved between 40,000 and 100,000 people, were among the biggest protests against the authorities seen in this country since a military government was overthrown in 1973.

The authorities are still assessing the damage and it is not clear how protests that were planned to be peaceful could have ended up causing so much damage. About 40 suspects were arrested and some of them are said to have admitted that they were bribed to create a riot and "to kill people."

A state of emergency was still in force yesterday in Phuket where security forces were given widespread powers of search and arrest.

Many of the arrested are said to come from mainland provinces and this has added fuel to the speculation that political interests were behind the violence. Prime Minister Prem Tinsulanonda told the Cabinet yesterday that he did not believe the destruction was the work of Phuket people.

Thai newspapers have linked the events in Phuket with other protests, hinting that there could be a conspiracy to cause chaos at a politically sensitive time. In early May the Government was defeated on a relatively unimportant piece of legislation and Gen Prem dissolved Parliament calling a general election on July 27 one year ahead of schedule.

Soon afterwards he dismissed his political rival Gen Arthit Kamlangek as Commander-in-Chief of the Army in a controversial move which caused some resentment.

Rivalry between two coalition partners now contesting the election has played a part in the campaign against the factory if not in the violence itself. The chairman of the Thailand Tantalum Industry Corporation is Mr Phong Sarasin, a leading member of the Social Action Party. Members of the rival Democrat Party were campaigning with conservationists against the project.

The reaction of foreign investors is being watched closely. The World Bank has a stake in the project. Its International Finance Corporation has lent the project $53.5m and invested $3.9m in equity representing a 12 per cent interest.

Reporters who were on the scene say that some protesters — many of them drunk — were angry that they were not able to see Mr Chirayu Israngkun Na Ayuthaya, the Industry Minister against whom the demonstrations were held.

Smoke billows from the tantalum plant on Monday

The purpose of his visit to Phuket was to talk to leaders of the factory's opponents who had refused his invitation to meet him in Bangkok. Mr Chirayu says he was going to tell them that the Tantalum's plant's trial runs would be postponed pending the outcome of a public inquiry into the possible dangers of pollution when he was mobbed. He was unable to address the protesters and eventually had to return to Bangkok.

The fears about pollution arise from the use of hydrofluric and sulphuric acids and possibly the presence of small quantities of radioactive materials in the tin slag from which the Tantalum would have been obtained. The company, which is locally owned, argued that its equipment imported from West Germany is proven to be safe. Tantalum is a heat resistant metal used in the areospace industry and for making capacitors.

Tamil leaders boycott peace conference

By Mervyn de Silva in Colombo

THE SRI LANKA Government's latest effort to seek a negotiated settlement to the island's harrowing ethnic conflict seems to be doomed even before it has got off the ground, with the news that the main Tamil parliamentary party will not attend a conference on the issue starting today.

Mr Neelam Tiruchelvam, the only representative of the Tamil United Liberation Front (Tulf) still remaining in the country said that the continued killings and arbitrary arrests of Tamils in all parts of the island was not producing a climate conducive to peace talks.

The best contribution that the conference can therefore make to Sinhalese-Tamil reconciliation is to develop a Sinhalese consensus on what could be offered to the Tamils in reply to their demand for a separate state. Lack of a consensus has bedevilled all past efforts at a political settlement.

A new provincial autonomy plan proposed by the Government of President Junius Jayewardene was sent last week to Mr Rajiv Gandhi, the Indian Prime Minister, who has been mediating in the dispute since early 1985. A team of Indian officials who visited Colombo in April pronounced itself "fairly satisfied" with the Sri Lankan Government's proposals on the question of land settlement, but asked for "clarifications" on law-and-order powers to be devolved to the proposed provincial councils.

Mr Jayewardene's letter contained clarifications on this issue and on possibilities for inter-provincial co-ordination. Yesterday Delhi reacted positively to Mr Jayewardene's letter, saying that a new package could now be presented to Tamil leaders.

The Tamils' parliamentary party (Tulf) and guerrilla groups, both operate from the South Indian State of Tamil Nadu itself populated by nearly 50m Tamils. They have demanded a "merger" of the Tamil north and the racially-mixed Eastern province, which they regard as their "traditional homelands," the basis for the separatist claim.

The Tamils argue that the ethnic composition of the east has been gradually changed through the land settlement policies of Sinhalese governments, under which farmers from the densely populated Sinhalese south have been moved to lands opened up for agriculture by high-cost irrigation projects.

With the billion-dollar Mahaveli irrigation and power project nearing completion, the problem has a new urgency. Mr Gamini Dissanayake, the Lands and Irrigation Minister, was able to satisfy the Indian mediation team that he would keep Tamil fears of demographic change in mind and that there would be a fair sharing of the fruits of the Mahaveli project.

Mr Gandhi, who has recently appointed two special committees on Sri Lanka, one of which he himself heads, is ready to persuade Tamil leaders to drop the merger demand and settle for substantial devolution and limited inter-provincial coordination.

Elected provincial councils would have a Chief Minister and a board of Ministers, but questions remain over how coordination would work and over internal security.

Mr Lalith Athulathmudali, National Security Minister, proposed a two-tier police force, zonal and national. The zonal police would take orders from the Chief Minister and be locally recruited up to Assistant Superintendent, with a Deputy-Inspector General in charge of each province.

The latter's relationship with the Chief Minister has not, however, been made clear. "One does not put all one's cards on the negotiating table, especially with people who keep asking for more," said Mr Athulathmudali.

A growing number of Tamils feel that the Government's preferred option is a military one and that the diplomatic-political exercise is cosmetic. Even those Tamil moderates who regard the new offer as both progressive and genuine realise that the violence has hardened Tamil opinion, giving the militants the edge in the community debate.

Hope for a peaceful, local solution has also been diminished by the stand taken by Mrs Sirimavo Bandaranaike, former Premier and leader of the main opposition Freedom Party. A committee is to study the proposed devolution scheme before the party will decide its next move, she said yesterday.

As the country's National Security Minister left for the US and Colombo admitted that Indian accusations about arms supplies from Israel and Pakistan were true, a peaceful solution to Sri Lanka's troubles seemed as far away as it has ever been.

Malaysia holds to tough line on drugs trade

By Wong Sulong in Kuala Lumpur

THE DEATH sentence on two Australian drug traffickers, Mr Kevin Barlow and Mr Geoffrey Chambers — expected to be carried out shortly since the pardons board has rejected their appeal for clemency — highlights the tough narcotics laws in Malaysia.

Their case is sensational news in Australia, and to a lesser extent in Britain. They will be the first Westerners to be hanged in Malaysia. (Barlow, 28, was born in Stoke-on-Trent, migrated to Australia 13 years ago, and still holds a British passport.)

A decade ago, Malaysia was virtually drug-free. But now it is a leading processing and distribution centre for drugs from the olden Triangle of Thailand, Laos and Burma.

Penang Island in northern Malaysia — where Mr Barlow and Mr Chambers were arrested in November with 180 grammes of heroin — is an ideal entrepot for the deadly product of the Golden Trinagle to Europe, North America and Australia. It is a holiday resort that attracts budget travellers; it is close to the Thai border; is easily accessible by road, rail and sea and has an international airport.

In the first three months of this year Malaysian authorities seized more than 133 kilos of heroin and opium and over 400 kilos of cannabis.

Dr Mahathir Mohamad, the Prime Minister, who has taken a strong personal interest in the fight agaisnt trafficking, reckons that more than 200,000 Malaysians are on drugs. The local drug addiction problem is racially and politically sensitive because most of the traffickers are Chinese, while the addicts are mainly Malays.

Unlike Western countries which regard drugs as a social issue, the Malaysian Government has declared the problem as the country's top security threat, ahead of Islamic religious extremism and Communist subversion.

"We do not want our youths to be zombies. It's war against traffickers as far as we are concerned," says a senior Malaysian narcotics official.

Since 1975, Malaysian laws have provided the death penalty for trafficking—meaning possession of more than 100 grammes of heroin. This law was tightened in 1983 to make the death sentence mandatory for trafficking in more than 15 grammes of heroin. Since 1975 the courts have handed down the death sentence on 110 traffickers and 36 have been hanged.

Another controversial law, passed by parliament last year, and which is being applied with telling effect gives power to police officers to detain anyone suspected of trafficking, and to hold them almost indefinitely without trial.

Warnings of the death penalty for trafficking are everywhere—on huge signboards along highways and entry points: they are broadcast on aircraft entering Malaysia and stamped on disembarkation cards. The Malaysian authorities claim the tough laws have helped in the war against drugs. At the prevention level, the problem is being "contained" although smuggling is still a big problem, smugglers have in part switched to routes in Indonesia and, recently, Bombay.

Malaysia is pressing vigorously for tougher drug laws by the international community but success has been limited. Its close relations with Thailand do not quite tend to combating drugs as powerful interests are involved in the trade in Thailand.

The Malaysian Government denies it is making an example of the two Australians. But their fate has undoubtedly sent a clear message around the world, and to Malaysia's own Chinese citizens that Malaysia makes no distinction between Westerners and locals in applying its laws.

Such a message is particularly important to the Government at this stage, as a general election is pending and Mr Mahathir acknowledges the Chinese votes are crucial to the survival of his government. Thus the Malaysian government simply cannot afford to intervene to spare the two Australians, because the complex Malaysian racial-political situation would not allow it.

AMERICAN NEWS

Volcker warns emerging nations against stalling debt repayments

BY STEWART FLEMING IN WASHINGTON

MR PAUL VOLCKER, chairman of the Federal Reserve Board, issued a blunt warning yesterday to developing countries. They would not be able to work their way out of their current debt problems by writing down the value of their obligations or not servicing them fully, he said.

"The case for maintaining continuity (of payments) is overwhelming," Mr Volcker said, adding that the idea of resolving the debt crisis by writing down outstanding loans was "a dead end."

Mr Volcker's comments will be read as a signal—to Mexico in particular—that the US is determined to resist any moves by the Mexican Government to limit its debt repayments.

In the past few days since the resignation of Mr Jesus Silva Herzog as Mexico's Finance Minister, senior Mexican officials have been hinting strongly that they are looking for ways to reduce the burden of servicing the country's foreign debt fully.

Mr Volcker went out of his way yesterday to oppose this option saying that it was "demonstrable" that with only rare exceptions, perhaps in "deepest Africa" outstanding debt could be serviced by borrowing countries.

But the Fed chairman made it clear that as far as Mexico is concerned the aim must be to revive economic growth by 1987 and 1988 and that this could be achieved only by what he termed "forceful financial support" for Mexico from the rest of the world.

"What we have to do is find a combination of initiatives within Mexico itself that point toward the necessary adjustments and structural changes, and on that basis provide forceful financial support from the rest of the world so that there is some breathing room so that those adjustments can be made in a context of a reasonable prospect for restoring growth in 1987 and 1988," he said.

Mr Volcker's urgent plea to the world financial community to back a financial package for Mexico appears to be directed not only at the commercial banks but also at the governments of the major industrial countries, some of whom are uneasy about the pressure the US is apparently exerting on the International Monetary Fund to reach a more flexible agreement with Mexico.

Regan still optimistic on summit prospects

By Stewart Fleming in Washington

MR DONALD REGAN, the White House Chief of Staff, said yesterday that the United States is still optimistic about the prospects for a summit meeting this year.

In a television interview which followed Monday's delivery of a letter from Mr Mikhail Gorbachev, the Soviet leader, to President Ronald Reagan, Mr Regan said: "We are still optimistic about having a summit this year. The General Secretary did agree in Geneva to come this year to the United States and we still think he will come."

The letter was delivered to the White House by the newly-appointed Soviet Ambassador to Washington, Mr Yuri Dubinin, who was presenting his credentials to the President. Mr Dubinin had about 40 minutes' wide-ranging discussion at the White House.

Although the letter is understood not to set a date for a preparatory meeting between Mr George Shultz, the US Secretary of State, and Soviet Foreign Minister Eduard Shevardnadze, officials say they have received positive signals about a summit and view the meeting between Mr Reagan and Mr Dubinin positively.

There was apparently no discussion of a date for a pre-summit meeting between the President and the new ambassador.

The White House has been trying to improve the atmosphere surrounding US-Soviet relations following the administration's decision to abandon the unratified Salt 2 strategic arms limitation agreement.

The controversy and uncertainty about the Salt 2 decision has been intensified by an interview the President gave this week to the Los Angeles Times. Asked if the treaty was dead, he responded: "I'm reluctant to come out with some of the declarations that many of you want to hear either way because in a way you commit yourself in advance to things that may become issues in a negotiation."

Tim Coone reports on the economic clouds over Buenos Aires
IMF challenges Argentina's dream

AS THE people of Argentina this week celebrated the victory over England of their World Cup soccer team in Mexico, another apparent cause for celebration slipped by almost unnoticed.

The board of the International Monetary Fund approved a waiver on a $275m standby credit on Monday, and Argentina's creditor banks agreed to release a further $600m in funds at the weekend. Together these make up the final disbursements of the $5.6bn financial package which launched the country's Austral plan for economic stabilisation one year ago this month.

The lack of public enthusiasm for this international show of support is not so surprising, however, for most of the funds will have to be used to make interest payments on the country's $52bn foreign debt.

Little of it will filter through into new factories, roads, ports or combine harvesters.

The IMF waiver has averted the possibility of the Argentine Government being lured closer towards a debt moratorium but the conditions attached to it leave the Government practically no room for manoeuvre.

An Economy Ministry official admitted that keeping salaries in line with spending targets was going to be very difficult.

Living standards have fallen by an estimated 30 per cent since the introduction of the austral plan. Public sector tariffs are expected to rise soon and the public holds inflationary expectations of around 4 per cent per month. Trade union leaders are now coming under heavy pressure to act.

ARGENTINA'S IMF TARGETS FOR 1986

- Inflation rate averaged over the year of no more than 2 per cent per month.
- Fiscal deficit of no more than australes 1.06bn for the second half of 1986, equivalent to 3 per cent of GDP.
- Money supply growth rate limited to 3 per cent per month in the second half of 1986, reduced from the present rate of 6 per cent
- Maintenance of positive real interest rates.
- Dismantling of price controls.
- Freeing of foreign exchange for payments of services and capital transfers.

Most unions are organised under the banner of the CGT, a federation of over 2m trade union members, which has called six successful one-day general strikes since President Raul Alfonsin came to power.

The CGT is wracked by internal power struggles and has still to put together a coherent plan of action to force the Government to relax its austerity programme and declare a moratorium on a major part of the foreign debt, one of the aims of the Peronist Opposition. The general strikes have not therefore led to a show-down.

Internal elections within the CGT are due however before the end of the year, and differences over strategy should be resolved, resulting in more concerted action against the Government's economic policy. Sensing Government weakness in the face of the IMF, many unions are not prepared to wait even that long.

The powerful metal workers are already engaged in skirmishes with managements of the principal steel and car-part plants in the country, which have forced Mercedes Benz and Ford of Argentina to lay off workers and cut production this week due to materials and parts shortages.

The 180,000-strong teachers union is stepping up selective strike action next month in pursuit of increases in salaries, already some of the lowest in the country, but comprising 25 per cent of total Government spending on personnel.

Any significant Government concession to the teachers could be expected to violate the IMF waiver agreement. The Education Minister is shortly expected to be replaced amid rumours that he is resigning in protest at an inadequate budget for the education sector.

No fewer than 11 major unions are planning industrial action on a nationwide level in the coming month over salary-related issues. In this light, Government economic targets for the year, as presented to the IMF, appear optimistic. Confrontation with the unions seems inevitable if the Government sticks to the IMF conditions.

Mr Alfonsin . . . a new Argentina

The Government has begun to hint that it may have to introduce limitations on the right to strike if the labour situation worsens. If it is more than bluff, such a move could prove politically suicidal for President Alfonsin.

The austerity of the Austral plan has so far been accepted as a fundamental economic necessity to achieve that dream, but which requires as its counterpart a major new inflow of foreign funds for investment. Without that the Government displays little confidence it can hold the unions at bay.

It would be ironic indeed if President Alfonsin felt obliged to turn to the police and the military to deal with the unions, as the only way to salvage an economic programme which pays off the foreign debt but fails to deliver the dream.

Orders for durables up only 0.4%

ORDERS for manufactured durable goods, a key measure of future US business activity, rose 0.4 per cent in May because of a very large increase in military orders, Reuter reports from Washington.

The $379m (£252.6m) rise brought to $104.1bn the total for orders received by factories for durable goods, which are high-cost items meant to last three years or more.

It was the first increase since January and followed a 0.9 per cent April decline, according to the Commerce Department.

The small increase, which was below most analysts' forecasts, gave further evidence the economy has failed to break out of a pattern of sluggish growth.

Defence capital goods, a typically volatile category, soared 36 per cent last month after orders had declined 38 per cent in April. Without that category, overall durable goods orders would have fallen 2.0 per cent in May.

Transportation showed the next largest increase. The sector rose 6.5 per cent as a larger order for aircraft offset declines in automobiles and parts.

Orders for non-defence capital goods remained flat in May, while metals and machinery declined 18 per cent and 2.4 per cent, respectively.

Reagan in last-ditch plea for Contra aid

BY OUR WASHINGTON STAFF

PRESIDENT Ronald Reagan yesterday issued a last-ditch appeal to the House of Representatives to support his request for $100m (£66.6m) of military and non-military aid to the Contra guerrillas in Nicaragua.

Denied the opportunity to address the House of Representatives directly when House Speaker Thomas P. O'Neill turned down a White House request on Monday, Mr Reagan postponed his departure for a brief holiday in California long enough to appear on television at midday to deliver the speech the White House said he would have given to the House.

Only the Cable News network carried the speech live, however. The three major networks turned down the opportunity.

The White House decision to expend political capital to try to win House support for the funding — the Senate has already passed an aid package — suggests that administration officials feel there is still a chance that enough votes can be secured in the Democrat-controlled House to win approval for the plan.

White House spokesman Mr Larry Speakes said: "There are a handful of people who will make the difference in the vote."

The White House's hopes of winning over the Contra aid bill seemed to be fading in recent weeks. They were harmed by reports about the misuse and embezzlement of US funds which have already been sent and by critics of the Administration's Central American policies, who drew unflattering comparisons between Mr Reagan's readiness to give vigorous support to what he calls the "freedom fighters" in Nicaragua but to offer largely rhetorical support for blacks in South Africa.

In his televised statement, Mr Reagan painted a familiar picture of Nicaragua turning into the first communist beachhead on the North American continent if the United States failed to provide financial support for the Contras. In what appeared to be an effort to swing wavering votes, he said he would welcome the creation of a bipartisan congressional group to oversee the distribution of US funds, and to ensure they went only to supporters of democratic principles and were not misused.

Earlier in the year the White House came close to impugning the patriotism of its critics on Central America, but Mr Reagan struck a more conciliatory tone yesterday.

Boeing announces jumbo jet safety modifications

BOEING has notified world airlines of specific measures for structural improvements on its Boeing 747 jumbo jet, Agencies report from Tokyo.

The US aircraft manufacturer has been studying improvement since the Japan Airlines 747 crash last August when 520 people died in the worst air disaster involving a single aircraft.

The measures include reinforcements on the pressure bulkhead in the tail section and attachment of automatic shut-off valves to one of the four hydraulic systems.

Boeing also called for intervals between regular check-ups of the nose section of the 747 to be shortened.

The US Federal Aviation Agency is expected to include the measures in its airworthiness certificate, which airlines must acquire. Work on the improvements is expected to start early next year.

There are more than 600 747s in service and the extensive improvements to be made by Boeing could severely affect their flight schedules.

Peru and France agree on cut in fighter plane order

PERU HAS reached agreement with the French Government to cut its order for 26 Mirage 2000 fighter planes to 12, Reuter reports from Lima.

The accord, signed in Paris last week, will save Peru at least $500m (£333.3m), now to be earmarked for development projects.

Peru originally ordered the planes in December 1982 under a contract for about $700m. The Government has paid at least $140m toward their purchase, President Alan Garcia said.

At his inauguration last July, he pledged to scale down the fighter plane order in favour of spending on social development and to inspire other Latin American countries to reduce weapons purchases.

The new agreement, signed by Mr Alan Wagner, Peru's Foreign Minister, and French Foreign Minister Mr Jean-Bernard Raimond, will save Peru about $366m on the original contract price.

The arrangement also relieves Peru from paying at least another $134m in interest charges, thus saving the Government a total of at least $500m.

WORLD TRADE NEWS

US and EEC in last ditch bid to end trade row

BY TIM DICKSON IN LUXEMBOURG

A LAST ditch effort to avert the first serious shots in a trade row between the US and the EEC was being made in Brussels last night.

Mr Daniel Amstutz, US Under Secretary for Agriculture and Mr Alan Woods, deputy US trade representative, were due to meet Commission officials in an 11th hour bid to find a solution to the dispute, which has been caused by the entry this year into the EEC of Spain and Portugal.

Angered by the effective loss of sizable markets for its corn and sorghum exports because of a variable EEC levy on grain sales to Spain, the US is seeking direct compensation from the Community. It says it will retaliate on Tuesday by raising tariffs on a range of European agricultural products if progress is not made.

The seriousness of this threat was yesterday emphasised in Luxembourg by Mr Richard Lyng, the US Agriculture Secretary who said that the President had made his intentions clear as far back as the end of March.

European Agriculture Ministers in Luxembourg for their regular monthly meeting, were also pinning their hopes on the negotiations in Brussels.

Officials and Ministers refused to be drawn on the substance of the problem being considered in Brussels or of possible solutions under discussion. Inevitably there is speculation that a compromise is being worked out.

It was also suggested in Luxembourg that by agreeing to hold talks specifically on the Spain and Portugal issue the EEC may be modifying its position.

Paul Cheeseright in Brussels adds: Commission officials are approaching the talks with Mr Woods and Mr Amstutz in a mood of tempered optimism. It was noted yesterday that, in contrast to the continued discussion in Geneva, the new talks have a more overtly political character.

They are seen as the first of a series which could lead to a settlement, although that settlement, from the Community point of view, should fit into the general pattern of compensatory arrangements for EEC enlargement and not be seen as an exclusive Community-US deal.

Next weekend Mr Willy de Clercq, the commissioner for external relations, will have the chance to build on any base laid by the Woods-Amstutz talks when he meets Mr Clayton Yeutter, the US Trade Representative at a Maryland conference. Later they will be joined by Mr Lyng himself and Mr Frans Andriessen, the Commissioner for Agriculture.

Australian and US groups win casino deal

By Emilia Tagaza in Canberra

HARRAH of the US, the Las Vegas-based gaming group, and Hooker Corporation, the Australian property company have been awarded the contract to build and exclusively operate for 10 years, the world's largest casino at Sydney's Darling Harbour development.

The contract includes construction of a 700-room hotel in the complex.

The joint venture tendered a bid of A$750m (£345m) and the highest revenue share of 35 per cent to the New South Wales (NSW) state government. The other bidders were Genting of Malaysia and its Australian construction partners Civil and Civic, and the Sabemo and Westin-Federal Hotels consortium.

Mr Ken Booth, the New State Treasurer, said the 35 per cent revenue take is by far the biggest return offered by a casino operator to any Australian state.

Hooker-Harrah believe the casino's gross annual takings will be A$400m a year. The casino will have 400 gaming tables and 1,500 video games but no poker machines, and could accommodate 11,000 gamblers at any one time.

The State Government wants the casino to open by 1988 and the hotel by 1990.

The A$1.5bn Darling Harbour complex will also include an A$40m monorail from the harbour to Sydney's city centre, an exhibition and a convention centre and a maritime museum.

Consolidated tries to raise prices of newsprint in US

BY ROBERT GIBBENS

CONSOLIDATED - BATHURST is making a new attempt to raise prices for standard newsprint in US markets, from US$535 (£356.6) per tonne to $570 from next October 1.

Consolidated, the main newsprint producer in Canada and Britain, has tried in the past to lead the way to higher prices but other producers did not follow suit. The last increase was in July 1984 when price moved from $500 to $535.

The latest increase would be about just more than 6 per cent which, Consolidated said is required to cover cost increases over the past two years.

The newsprint industry is running at about 92 per cent of capacity in Canada while in North America demand is rising at an annual rate of about 2 per cent. No new machines are due on stream this year in North America. US publisher inventories were at about 44 days at end April, down 7.5 per cent from a year earlier.

Many observers expect Consolidated-Bathurst to get broad support from other producers in Canada and US.

Krupp to build factory in Iran

KRUPP OF West Germany has won an order worth DM 190m (£56.5m) to build a chemical factory in Iran, Reuter reports from Essen, West Germany.

The factory, to be built near Isfahan, will produce 60,000 tonnes per year of DMT, a feed stock for the manufacture of polyester fibres.

Krupp, in co-operation with Dynamit Nobel AG, will supply know-how, basic and detailed engineering, essential equipment and supervise construction work

Compromise likely in US-Japan semiconductor talks

BY LOUISE KEHOE IN SAN FRANCISCO

US AND Japanese semiconductor trade negotiations are expected to end on Friday with a compromise agreement that is far less comprehensive than US chipmakers had hoped.

The "global" price and production cost monitoring system that US semiconductor manufacturers had thought would prevent future Japanese "dumping" is now expected to be restricted to the US and Japanese markets and to apply only to certain types of "commodity" chip products.

Shipments to Europe might also be included in the monitoring system, US industry officials believe.

Significantly, the growing Asian market is excluded from the US-Japanese price monitoring system. Countries including South Korea, Singapore and Malaysia have become the main offshore manufacturing site for US electronics manufacturers, who seek the advantages of low labour costs.

Japanese and US chipmakers will agree to provide details of their production costs and prices on chips sold to customers in the US or Japan and possibly Europe.

The semiconductor manufacturers must price their products at least 8 per cent above cost to comply with US trade laws.

Exactly how the cost of the design, manufacture and assembly of integrated circuits is determined is, however, a matter of considerable debate. "That is what they are working on in Washington," said a senior US industry executive, referring to ongoing trade negotiations taking place in Washington this week.

US industry executives fear that if Asia is excluded from the monitoring systems it "will become the dumping ground for chips," US industry executives fear. The unregulated Asian markets will attract an increasing number of US electronics and computer companies, which will effectively shrink US demand for semiconductors, the US chipmakers fear.

US semiconductor companies are, however, expecting to be promised an increased share of the $9bn (£6bn) Japanese chip market, which they have claimed has been largely closed to them by "unfair non-tariff trade barriers."

Officials of the Japanese Ministry of International Trade Industry (Miti) have visited US semiconductor companies to discuss their latest offer to double Japanese purchases of US-made chips, industry executives say. US manufacturers hold about a 9 per cent share of the Japanese market and say they are being promised a 20 per cent share.

The US companies are not, however, optimistic that any agreement will lead to an immediate significant increase in sales to Japan. "They (the Japanese) will come up with all sorts of excuses as to why they cannot buy from us," predicts a senior executive of one of the largest US manufacturers.

The US Japanese trade accord "is politically motivated" and may not necessarily be in the best interests of the US chipmakers, the companies fear. They expect to gain only minor relief from intense Japanese competition.

The net result will be to warn the Japanese to be more careful as they continue their efforts to dominate not just the $20bn world semiconductor market but the entire electronics and computer markets, say US chipmakers.

Paul Betts reports on the race for a share of the market
French telecom battle hots up

THE INDUSTRIAL battle between some of the world's leading telecommunications groups for a 16 per cent share of the French public telephone exchange market is reaching its long-awaited climax.

The heads of the competing companies have been queuing up to see Mr Alain Madelin, the new French Industry Minister, to try to clinch a strategic deal in this cut-throat market. Mr Madelin has already received the chief executives of Ericsson, Philips and ITT and is also seeing the heads of AT & T, Northern Telecom and Siemens.

Of the rival international groups AT & T has long been seen as having the strongest chances of winning. The giant US telecommunications group has already negotiated a comprehensive agreement with Alcatel, the French telecommunications company owned by the nationalised Compagnie Generale d'Electricite (CGE) conglomerate. This agreement would see AT & T supporting Alcatel's efforts to penetrate the US switching market and its microwave business in return for a 16 per cent share of the French public switch market.

This share of the French market would be acquired through an association between AT & T and CGCT, the troubled nationalised French telecommunications group formerly owned by ITT. CGCT, which currently supplies 16 per cent of the public switch market, is in dire need of a

Mr Madelin . . . receiving bidders

strong partner to ensure its industrial survival.

Mr Jacques Dondoux, the head of the Direction Generale des Telecommunications (DGT), the French telecommunications authority, acknowledged that the authority found AT & T an attractive partner for CGCT. But he said that AT & T was asking too much for its equipment. "Their prices are about 30 per cent too high," he said.

The price problem with AT&T has revived the hopes of the US group's competitors which could stand a chance of winning the deal if AT&T and the French authorities fail to reach a compromise on the price of AT&T equipment. Senior DGT officials make no secret that apart from AT&T, Ericsson, Northern Telecom and eventually Siemens could be acceptable alternatives.

Following the reorganisation of the French telecommunications industry under the leadership of Alcatel in 1983, the DGT has been seeking a second supplier of public switching equipment. Before the merger between Alcatel and the French Thomson group's telecommunications activities, the DGT had two domestic suppliers—Alcatel and Thomson, with CGCT manufacturing Thomson switches on licence.

Mr Dondoux explained yesterday that the DGT was now looking for a strong second supplier to Alcatel to provide the future generation of public switching equipment. "The real question is the equipment we will be buying in the mid 1990s," he added, emphasising the need to have a supplier at the leading edge of telecommunication technology.

Moreover, he suggested that the second supplier's share of the French market would not necessarily be limited to 16 per cent since in an increasingly competitive environment the market share between Alcatel and the second supplier could fluctuate.

But he indicated that it was also important for Alcatel to find a strong international ally.

Coupled with the search for a second supplier of public switching equipment, the DGT is also gearing itself up for deregulation in the emerging sector of high value-added telecommunications services like business communications networks, videophones and other specialised services. The new conservative Government has already announced plans to open this market to competition.

A number of major alliances have already been formed to tap this new French market. IBM has linked up with the Paribas banking group while Olivetti (itself a partner of AT & T) has teamed up with the Suez financial group.

Mr Dondoux disclosed that STET, the Italian state telecommunications group, was now also seeking to offer services in this sector in France. With the opening of this market and the simultaneous launch of the DGT's information service data network (ISDN) system, the DGT is keen to own a 10 to 15 per cent stake in any major private venture in this field.

The Government has also suggested it would favour the DGT owning stakes in these new ventures. The DGT believes that a presence on the board of these new companies will at least enable the DGT to keep an eye on the "real intentions" of such heavyweights like IBM and Olivetti-AT & T.

The DGT is especially worried of being eventually outmanoeuvred by these big groups over the price they will pay for the basic communications infrastructure services provided by the French telecommunications authority. "It really all boils down to a question of prices," remarked Mr Dondoux.

Progress in CGE and ITT talks

By Paul Betts in Paris

COMPAGNIE Generale d'Electricite (CGE) the nationalised French group which controls the Alcatel telecommunications company, is in advanced talks with ITT to merge the US group's European telecommunications assets with those of its Alcatel subsidiary.

A deal between Alcatel and ITT-Telecommunications Europe, the subsidiary of the US conglomerate grouping together all its telecommunications assets in Europe including West Germany, Belgium, Portugal, Spain and the UK, would also involve other European partners.

While Alcatel would eventually gain control, the proposals would see ITT own a stake of about 20 per cent in the merged groups with Stet, the Italian state telecommunications group, and Société Générale de Belgique holding 10 per cent each. GEC and Plessey are reported to be also interested in a stake.

Since the costly disappointment over its System 12 digital telephone exchange system, ITT has sought to retreat from the telecommunications business and shed its telecommunications assets. For its part, CGE has long ben seeking to develop Alcatel's international dimension by associations with other foreign telecommunications groups.

The talks with ITT coincide with CGE's parallel efforts to forge a major alliance with AT and T.

TECHNOLOGY

Thumb-size device to route voice, video and data optically debuts at Ericsson. **Jane Rippeteau,** recently in Stockholm, on how market demands are accelerating efforts to simplify telephone switching

Making connections at the speed of light

EXECUTIVES at LM Ericsson, the Swedish telecommunications and information systems company, are discussing with several possible customers the sale of test quantities of a first-in-the-world, thumb-sized device that could speed and simplify telecommunications systems worldwide.

The device, an optical switch, is one of a number in development at major telecommunications equipment companies, including AT and T Bell Laboratories, in the US, and Fujitsu and NEC in Japan. The advent of such devices "is happening much more rapidly than anybody had expected," says Rod Alferness, head of photonic circuit research at Bell Labs. "Everybody wants to be first."

The interest is propelled by technical improvements in telephone transmission that call for faster switching, and by fast-changing demands on telephone systems for advanced voice, data and video services. This is especially true in newly deregulated markets, such as the US and UK, where the ability of system operators to provide such features affects their competitiveness success against alternative suppliers.

Although the Ericsson device is a laboratory prototype and is not expected to go into commercial use for five years, it has spurred "a number of indications that people are quite interested in buying it" to use in experimental applications, says Lars Thylen, head of the project in the Fibre Optics group of Ericsson's Public Telecommunications division.

Ericsson has built fewer than ten of the devices, and has not even settled on a price to charge for them. "We could, in principle, manufacture and sell small quantities," he adds. It is not yet clear exactly how the devices would be engineered into today's telecommunications networks.

"It is only in the last six months that there have been any companies to announce products," says Alferness of Bell Labs, which holds patents on the process technology involved. To date, no one has demonstrated a device with as many switching elements acting at once as does Ericsson's, he and others add. "It is state-of-the-art," says Dr Ian Bennion, group leader for optical switching at Plessey Research in Caswell.

ERICSSON

The device is a telephone switch on a chip that could route voice, data or video information optically, rather than electronically. As telephone systems have become more complex, with demand for more calls at once as well as new features, transmission has more than kept pace. Optical fibre can now easily cope with increased capacity—called bandwidth, or the space needed to send ever more millions of 1s and 0s of computer language down a line at once.

But in today's advanced networks, even if transmission is carried on optical fibre, the switching function is done electronically. This means that incoming light signals must be converted into electricity to be switched, and converted back again into light before being propelled on down the designated optical fibre.

Optical switches would eliminate the need for this conversion. They would also overcome data rate limitations of electronic switching, experts say. With the latest advance, called single-mode fibre, used for some 90 per cent of new lines built, transmission capacity has ballooned.

For instance, a 417m bits-per-second line offered by AT&T (handling 6,000 telephone calls at once) must be broken down into slower channels (in a process called demultiplexing) in order to move through an electronic switch that functions at only 50m bits a second, the state of the art, according to Alferness of Bell Labs.

And transmission rates are on the rise. AT&T plans in 1988 to offer a 1.7 Gigabit (1,700m bits a second) service. "Fibre optics is limited by what the electronics can do, not by what the optics can do," notes Thylen of Ericsson.

In a telecommunications system, the Ericsson device could handle eight input channels and connect them to any of eight output channels, a feat requiring 64 possible switch connections on a single chip. The chip, about the size of a thumb, is known as an "8 x 8" switch. Similar "4 x 4" switches, handling 16 switch points, have been demonstrated by a few others, including Bell Labs.

Size — the device is many times that of electronic counterparts — is a drawback to this technology. "To put it in a telephone exchange today (is not practical because) it would take up a lot more space," notes Bennion of Plessey.

Too, the designers of telecommunications systems typically come from electronics backgrounds and feel "it is not obvious that the optical switch has advantages over electronic ones," says Stewart Personick, a vice president for network technology at BELLCORE, the research arm of the seven US regional telephone holding companies.

ERICSSON

The interest expressed in the Ericsson chip, then, is coming from a handful of systems designers and others interested in identifying just what the appropriate applications are for the hefty switches.

Alferness of Bell Labs says such switches may be most useful in situations coping with a very high data rate—such as video conferencing or high-definition television sent over telephone lines—but not necessarily requiring a high switching rate.

"Everyone is looking to see how far this technology can go, and working to see what the correct applications are," says Ian Bennion of Plessey. He feels that the importance of the Ericsson switch is that it demonstrates "how far they can push the technology" rather than what specific switching problems can be solved.

A device developed by Plessey uses a 1 x 16 configuration—but for a different application, he says. The design is tailored for applications in which a single stream carrying a vast amount of data needs to be routed to a number of different processing points. Uses would be data coming in from a sensor or a military radar, for instance.

The fast-moving interest in applications for optical, also called photonic, switching have inspired an American group, including BELLCORE and the Institute of Electrical and Electronic Engineers, to host the first international conference on the subject.

The intent is to bring together both the people developing the devices and designers of systems into which they might fit. It will be held in Reno, Nevada, next March. "Things have changed," says Bennion. "Given the wide-scale broadband systems now being contemplated, systems people have become very interested in these devices."

QUICK-CHANGING POINTS FOR TELECOMMUNICATIONS EXPRESS

THE preferred medium today for taking a telephone call from one place to another is optical fibre. Using pulses of light to represent calls, the fibre can carry more at once than older technologies.

But, just as trains are switched from track to track along a line, calls must be switched to reach their right destinations. And despite the growing presence of optical transmission, that switching function is done electronically.

This can slow or complicate the trip. Optical pulses must be converted into electrical signals and back again. And the electronic processor cannot act on the data at the same dizzying rates at which the optical trunk is sending it in.

Now telecommunications companies world wide are taking an accelerating interest in resolving this limitation.

Some years ago, AT&T Bell Laboratories developed a method for creating a device that would switch in the optical mode rather than the electronic mode. But there was no market; the devices would work only with so-called single-mode fibre—now the hottest transmission technology. "Single-mode is permeating the network more and more," says Rod Alferness, chief of photonic circuits research at AT&T Bell Labs.

Single-mode fibre can carry far more data at once than can its predecessor, multiple-mode fibre, by a factor of about 100, according to Alferness. This is because the core of single-mode fibre is so narrow that it creates a single pathway for light to travel along rather than multiple pathways.

With several pathways, different beams of light can ricochet around, and hence arrive at the end of the fibre at different moments. "It's like a lot of waves on water, creating interference," says Lars Thylen, head of optical switch development at LM Ericsson in Stockholm. The resulting beam is more spread out.

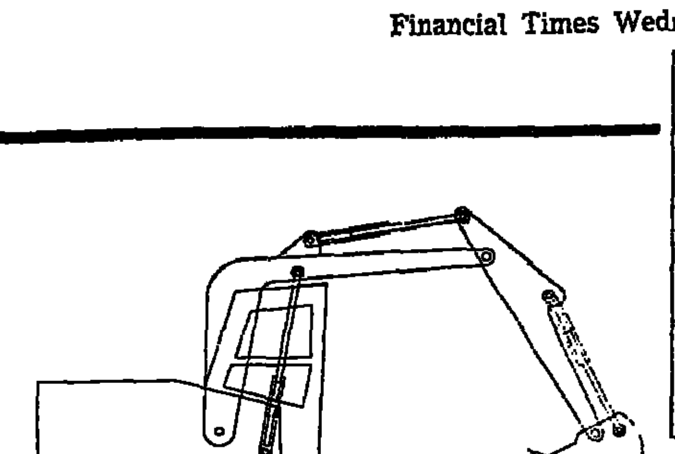
That limits capacity. Information carried on the beam is in the form of on-off signals, which create the binary language of the computer. The closer the signals can be placed together the more can be sent at once.

These data-packed focused signals can be received by optical switches, which consist of channels for the light to travel through and controls to change its direction. The channels are created by diffusing titanium into a base of lithium niobate. The different refractive properties of the two materials keeps the light in line.

At the desired switch point, an electrical control signal is applied to alter the refractive properties and change the course of the light beam. In this way, the light beam can be switched to the desired output point.

It is not so easy as it sounds, of course. The process is fraught with such nasties as "forbidden connections," "cross states" and "low attenuation," the last having to do with the amount of light lost as it travels through its gauntlet.

But now, say the experts involved, there is real market pull for completing development. "The transmission pipe is capable of carrying so much now," says Thylen of Ericsson, "that you want a switch device capable of handling more."



LEFT: Applicon's CAD software for mechanisms checks automatically that designs such as this can be assembled and operated

Motion on mechanical design

COMPUTER AIDED analysis of mechanisms can be carried out on-screen with new software from Applicon, the computer-aided design (CAD) company of Stockport, UK (061 429 7227).

For use with Applicon's Bravo CAD system, the software allows engineers to verify automatically that a proposed mechanism can be assembled and operated. It will also measure velocities, accelerations and displacements of any areas of the design.

Engineers may analyse assembly, kinematic, dynamic and static problems. The dynamic program will allow for springs, dampers, and inertia effects. The kinetic software allows the designer to apply a motion to one part of the mechanism and watch the motions of the other parts on screen.

DEPOSITS ON the inside walls of storage bins and silos can be removed with a device called Gyrowhip developed by Northern Vibrator in Canada and available in Europe from Ventec of Halstead, Essex, UK (0787 473794).

Rather like a giant garden strimmer, it uses radial whips (made from rayon to avoid sparks), rotated by an air motor at 1,800 rpm. It dislodges accumulations of material as it is lowered down the bin through a manhole cover.

EGG TESTING by computer is being carried out in the UK at York University, which hopes the system will be adopted by the poultry industry.

Previously, the freshness of eggs has been checked by eye and some traditional manual measurement systems.

At York, they have developed a complex instrument which measures egg weight and the "white" (albumen) when the egg is broken out on a flat plate. Fed into a microprocessor, these factors give an index of freshness for the egg.

OPTICAL CHARACTER recognition equipment for production line work where reliability and accuracy are of prime importance has been put on the market by Vision Intelligence of Bordon, Hampshire, UK (04203 5055).

WORTH WATCHING

EDITED BY GEOFF CHARLISH

Solid state camera, image processor, keyboard/display unit and monitor are priced at £7,500 and the system is called AlphaVision System 100.

The equipment will recognise printed, stamped, engraved or etched characters on virtually any surface including paper, plastic, rubber, glass or wood. The system is fount-independent, reading almost any style and size of type.

Reading speed is dependent of the number of alternative characters which might have to be recognised at each character position in a line, but simple checking takes place at about 80 characters a second.

Like most systems, AlphaVision has to be "taught," initially using a simple screen and keyboard routine lasting about 30 minutes.

ELECTRONIC camouflage can be offered by Plessey, of the UK, in a new radar and thermal "image management" service the company is offering.

Announced at the recent British Army Equipment exhibition, the service is concerned with altering the radar or thermal image (signature) of vehicles and other equipment to make them difficult to locate, to confuse the enemy about their type, or even to make them "disappear" altogether.

Plessey announced a few weeks ago its latest developments in radar absorbent material and presumably also has the means of altering the thermal image presented by a vehicle.

The company believes that camouflage techniques which do not include signature management are increasingly inappropriate in modern warfare. There is little point, it says, in using visual camouflage and smoke alone to try to protect a tank which is a thermal and radar "beacon."

FALSE TEETH can be designed and made in less than an hour with a combination of optical scanning and computer aided design developed by Hennson International, Chateau de Malissol, Vienne, France (33 7437 2370).

First, a miniature optical scanner examines the site in the mouth for the new tooth. Several digital pictures are taken, the data from which is assembled by a computer program called Euclid into a three-dimensional model which can be displayed on the screen.

Then, from a library of 32 possible tooth shapes the new tooth can be modelled and matched to the data. Finally, a three axis milling machine is fed the data and produces a tooth from a block of the chosen material.

An important advantage is that patients can be treated in a single visit, without using messy pastes. The teeth are said to look better, too.

MANAGEMENT

Why 'terror' is outmoded

Christopher Lorenz on an enterprising thesis

THE Harold Geneen school of "macho-management" still has plenty of admirers. Far too many chief executives rely on the basically negative motivational approach of "express criticism, withhold praise, and instil job insecurity."

Yet the "management by terror" principle by which Geneen ruled his conglomerate empire, ITT, was the precise antithesis of the way large companies can revitalise themselves to cope with all today's uncertainty and rapid change, according to Rosabeth Moss Kanter, one of America's leading authorities on corporate entrepreneurship and innovation.

Moss Kanter travels the world armed with a devastating list of "Rules for Stifling Innovation" (see panel), and is in high demand as a consultant to US multinationals desperate to instil some change and entrepreneurship into themselves. She has been a professor at Yale for the past eight years, and is the best-selling author of "The Change Masters."* She has just been appointed to a new professorship of innovation and entrepreneurship at the Harvard Business School.

Speaking at a conference on the subject in Brussels organised by Management Centre Europe, Moss Kanter claimed that the underlying problem for most organisations was that their structures and practices were based on the old, outworn notion that the future will be an extension of the past. Yet never before had it been more true that "the future is not what it used to be."

There are five keys to the encouragement of enterprise in large corporations, according to Moss Kanter:

● Jobs. People should be given broad assignments, with more emphasis on results than on procedures. This is the reverse of the conventional wisdom, which calls for narrowly-defined job descriptions, with general management handling things only on a "by exception" basis. That way of working "is fine so long as there isn't change all around you, or you don't want to do anything about it."

General Motors, for instance, discovered that it had 11 times as many job classifications in its factories as Toyota: 33 as against 3. It is now busily reducing demarcation barriers.

Procter & Gamble, the consumer products giant, has gone even further in some of its plants, cutting the classifications to the single one of "technician." People are now paid according to their mastery of a wide variety of skills, reports Moss Kanter. Management levels have been slashed, production costs have been more than halved, quality has risen, "and the organisation has become much better able to cope with change—there's greater flexibility and enterprise."

● Structure. Local autonomy must be considerable, with a full array of specialist functions available at local level.

● Culture. Companies must encourage employees to be proud of their work: "it fosters an environment of mutual respect and self-help." Highly innovative companies spend more on the development of their people than do others, and have an abundance of praise and recognition mechanisms. On no account should such schemes be kept secret.

● Rewards. These should be investment geared, instead of "pay-off orientated." In other words, they should no longer be geared to inappropriate short-term financial performance. Moss Kanter cites Raytheon, the US electronics group, as one company which rewards success or effort by giving staff a budget "to do the special project they have always wanted to do."

"The chance to 'do it' is the great untapped source of motivation," says Moss Kanter. This "pinball syndrome," as it has been dubbed in the US (the chance to have a "free game") is now practised by multinationals such as Eastman Kodak and AT & T, as well as everyone's traditional model of innovative management, 3M, where research and development staff can spend 15 per cent of their time on projects of their choice.

● Empowerment (the force to get things done). This broad concept covers: open communication and the wide availability of information; management support of all kinds (including job security and mobility, cross-functional access, and close-knit teamwork); and decentralised control over financial resources (which need not, however, involve large amounts of money at any one time).

For the would-be "change master" (or mistress) who must lead the company towards a new, and very different, tomorrow, Moss Kanter also has a check-list of more personal "dos" and "don'ts":

1—Tune into the company's external environment much more effectively. Only then will you be able to identify new needs.

2—Use "kaleidoscopic thinking" to create new approaches, by combining known facts and fragments to form different patterns. (This is one of the various definitions of creativity). This way of thinking can be stimulated throughout an organisation by encouraging playfulness and irreverence.

3—Develop the ability to create and communicate a clear vision. The importance of this is underlined by the fact that venture capitalists place more weight on the person behind a project than on the project itself.

4—Build coalitions, and don't spring new things on people. Moss Kanter uses colourful jargon to describe four phases of coalition - building: planting seeds; "tin-cupping" around the organisation (getting other people to contribute to the new idea); horse-trading; and "sanity checking" (final checking of possible problems).

5—Work through highly-motivated teams. "Successful change efforts are associated with heightened teamwork."

6—Persevere and persist. "Everything looks like a failure half-way through, which is when the political problems arise."

7—Share credit and recognition—"make everyone a hero."

Having handed out all this positive and optimistic advice, Moss Kanter warned her MCE audience of senior European managers against the dreary old cycle which has bedevilled so many past attempts at innovation within large companies: initial euphoria, followed by: disenchantment; chaos; search for the guilty; punishment of the innocent; and finally, promotion of the uninvolved over the heads of the innovators.

Yet her advice to anyone wanting to innovate was expressed through the old Jesuit proverb: "it is easier to beg forgiveness than ask permission." In other words—go right ahead, as long as you do it sensibly.

*Published in paperback by Unwin, price £4.95

Stifling innovation

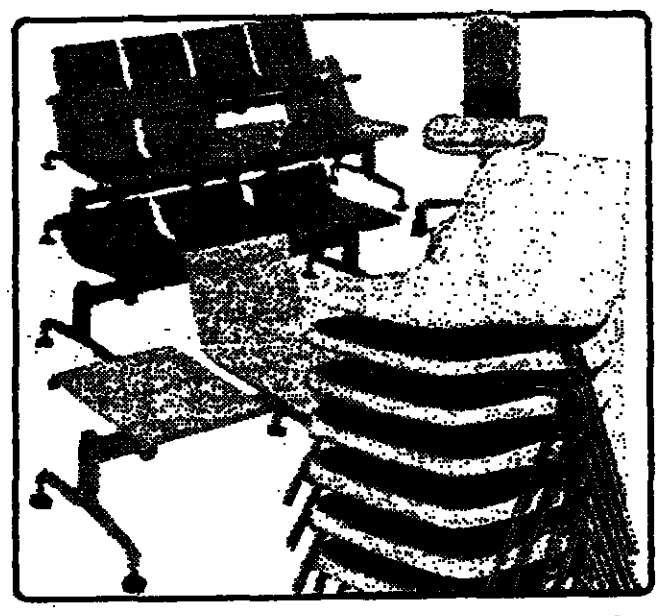
1. Regard any new idea from below with suspicion.
2. Insist that people who need your approval first go through several other levels of management.
3. Get departments/individuals to challenge each other's proposals.
4. Express criticism freely, withhold praise, instil job insecurity.
5. Treat identification of problems as signs of failure.
6. Control everything carefully. Count everything in sight—frequently.
7. Make decisions in secret, and spring them on people.
8. Do not hand out information to managers freely.
9. Get lower-level managers to implement your threatening decisions.
10. Above all, never forget that you, the higher-ups, already know everything important about the business.

Condensed from "The Change Masters," by Rosabeth Moss Kanter.

Contract furniture

Resurrection of a modern classic

Feona McEwan explains how Hille's reputation has been revitalised



Hille seating: the ubiquitous Robin Day-designed polypropylene chair (right); Metropolis seating for parks, playgrounds, etc (left); and Fred Scott designed chair (back)

THE NAME on the label may be unfamiliar but the chances are you've seen or sat on the product. Hille seating is ubiquitous. Its polypropylene chairs furnish schools, hospitals, stadiums, auditoriums and shopping centres at home and abroad. Its concourse seating fills Heathrow airport, including the new Terminal Four building. From Aintree racecourse in England to Grenada Airport, the Sultan Qaboos sports centre in Oman to the Olympic Stadium in Mexico, the name on the seat is Hille.

Now Hille, a specialist in contract furniture and supplier to the public sector, is poised to go public. Just two years ago, though, such a move would have been risible. Despite its reputation as one of Britain's leading furniture companies, Hille was in the doldrums, making heavy losses. Management problems, worries over succession and weak financial controls plus an over-ambitious diversification programme had contributed to the family firm losing its way.

Rescue came in 1983 when a company called Ergonom, an importer of office systems furniture, took it over. After two years, once Hille was returned to profit, the joint Hille Ergonom was born. Turnover for the combined group that year was £10.5m and 1986 looks like being substantially higher.

Grown up on acquisitions

Ergonom's founders, Anthony White and William Hall, have grown up on acquisitions, demonstrating a savvy for spotting the commercial advantage. Hille was just that. It had a name carrying prestige, a wide product range, design reputation and record of innovation which convinced them of the potential for recovery. In addition, its high-volume low-cost product line and position as a public sector supplier offered a neat fit with Ergonom's own import business.

Hille's most famous range was the Robin Day designed polypropylene chair. First developed in 1962, it used an injection moulding technique that was a milestone in furniture history. It is regarded by the design world as a modern furniture classic, and was described as such in a Hille retrospective exhibition held at London's Victoria and Albert Museum in 1981. More than 12m chairs have been sold so far, including the substantial number made overseas under licensing agreements.

White, the chairman, calls the new company an international furniture contract group—that means non-domestic furniture—which both exports and imports. One of these is possibly the most well-known chair in Britain, the imposing black hide seat in the Mastermind television quiz. Half of all goods sold by Hille Ergonom are imported (the Mastermind chair is Wilkhahn of West Germany), with the rest made in the UK, much of it sold abroad.

While adventuresome designers might regard the company's product range as on-the-safe-side, Hille Ergonom prides itself on its design and marketing-led approach to business. "We are highly committed to selling design," says White, a view that will be music to the British government's pro-design ears. "We aren't interested in me-too products . . . we want to make a design statement."

"Our strength is our closeness to the marketplace. We sell directly to the end-user through a specifier (such as an architect or designer), not through dealers. And we are not sold primarily on price."

In recent years, White notes, there has been a significant change in the role of the designer. "Almost every purchase decision is now made by a designer," he observes. "Ten years ago decisions tended to be taken by the purchaser and made on price."

Determined to build on the Hille name for innovation, the company puts considerable accent on research and development. "That's rare in a British company," comments Cherrill Scheer, the only remaining Hille family member in the company (she is the founder's granddaughter).

A recent robotics installation means production methods can be switched from one product to another, cheaply and quickly, at the touch of a few buttons. In a highly competitive market White is anxious to avoid the trap of inflexible production methods.

The merger gives the company four clear marketplaces. The Ergonom office systems furniture division supplies desks, chairs, shelving, office stations (mostly imported from Italy and West Germany) across the board, from choosey senior executives to typists' chairs and reception desks. Major clients include IBM, Shell, BOC Group Wiggins Teape, and Rank Xerox (for which it has just landed the new headquarters in Marlow).

The Hille seating division, which accounts for 32 per cent of the company's turnover, majors on the public seating sector. National Health Service, local authorities, Heathrow's Terminal 4 seating (Gatwick and Aberdeen airports too) and nationalised industries, for instance. One of the more unusual projects has been the three-year £3m contract from the Department of Environment, to refurbish Crown courts, providing jury, press, dock and barrister benches. Manchester and Guildford are just finished. In schools chairs, the company claims to be market leader, with its graduated range for growing children.

The international division handles exports (about 10 per cent of turnover) and handles licensing operations. Hilles polypropylene chairs are licensed in 18 countries, for instance.

Market niches to explore

Finally, the HE projects division (5 per cent of turnover) offers a complete contract design service (space planning, designing, fitting, decorating) for executive suites, conference centres, office complexes and more.

For the future, White sees a number of market niches to explore. "We're not in hotels at all, nor in fast food much. And we're not strong in theatre auditoriums," he says. With sports and leisure facilities ballooning, there is scope too for furnishing stadiums — the company has just landed contracts for Watford and Brentford football clubs.

One thing looks certain, the acquisitions will continue. For the moment however going public is the next challenge. "We think we are probably the first of our kind on the Unlisted Securities Market," says White. "Anyway the City can't seem to find a slot for us . . . we're delighted."

Kinnock seeks EEC-inspired recovery plan

BY HELEN HAGUE

MR NEIL KINNOCK, the Labour leader, yesterday called on Mrs Margaret Thatcher, Prime Minister, to press for a co-ordinated programme of economic recovery when Britain assumes presidency of the European Commission next week.

A three-pronged strategy of Community-wide action to attack unemployment, recognise problems faced by individual member countries and establish clear rules of operation to distribute gains and losses fairly, was urgently needed to halt decline, Mr Kinnock told the Iron and Steel Trades Confederation conference in Jersey.

Without such a programme, European markets faced an increased "commercial invasion" by producers in Japan, America and the Pacific countries. He said that the presidency should provide a vital opportunity for Britain to influence the direction of European policy in the late 1980s.

But the Tories were proposing "Thatcherism on a European scale, dressed up in the grandiose emperor's clothes of 'competing in the internal market,'" he said.

The theory that the "enhanced power of uncontrolled market forces would make everyone more efficient and therefore more prosperous" was now discredited – and would lead only to a redistribution of unemployment in the Community. This would mean "fewer unemployed in Germany and France perhaps, and a few more unemployed in Britain and Spain certainly."

British steel workers had learnt from bitter experience that co-ordination for cuts in the past six years "is complicity for destruction of the industry" – as British plants and communities had borne the brunt of closures and cutbacks.

"Your history graphically illustrates the record of the Government that gave you no quarter, that denied you subsidies, that would rather pay redundancy than finance recovery, that tamely towed the quota line when everybody knew that it was a confidence trick on a continental scale," he said.

"As the Tory Government in Britain developed an enthusiasm for international agreement that encouraged cuts and rundown and redundancy, the governments of other countries were employing strategies to subsidise the production and soften the blows on their steel industries.

"In France, aid totalled £130m, reducing the cost per tonne of steel by £8; in Germany, aid totalled £244m, reducing the cost per tonne of steel by £8: Italy's aid totalled £123m, reducing the cost of steel by £8 per tonne – but in Britain aid totalled, £14m, reducing the cost per tonne by £1.20," he said.

Mr Kinnock argued that the future broad strategy lay in co-ordinated expansion – stimulating British manufacturing to create jobs and working for European agreement on a policy of growth rather than shrinkage.

"Just as slump is a communicable disease, so recovery is contagious in its benefits."

He said that a Labour Government would believe in maximising the strength of the home industry and sustaining all Britain's integrated steel plants.

"You can make your way and beat the best, even with the testing competition and tight markets of Europe."

Kevin Brown writes: A future Labour government would make radical changes in the role of the Manpowers Services Commission, the body which administers the Government's employment programmes, Mr John Prescott, Labour's employment spokesman, said in the House of Commons.

Mr Prescott said the Government was "totally indifferent" to mass unemployment, and he accused ministers of "not giving a damn" about alternative policies. The sole purpose of Government policy seemed to be the creation of "part time, low-paid cheap schemes."

Mr Ken Clarke, deputy employment secretary, said Government policies had led to the creation of 1m new jobs since 1983, and £1.2bn had been spent this year on programmes to help the long-term unemployed.

Procedure drafted for vetting of City firms

By Clive Wolman

THE DIRECTORS and managers of all firms seeking authorisation to carry on an investment business will have to submit to the regulatory bodies details of their work experience and any blemishes on their record, according to a draft document published yesterday.

The Securities and Investments Board and the Marketing of Investments Board Organising Committee (SIB/Miboc), the nascent City of London regulatory bodies, have drawn up the draft requirements for firms applying for authorisation when the Financial Services Bill becomes law in the first half of next year.

The requirements are designed to ensure that applicants are "fit and proper" to carry out their intended business.

A similar vetting procedure will be followed by the self-regulatory organisations (SROs) being set up as part of the new regulatory structure. The SROs will give firms an alternative means of receiving authorisation. Although their requirements may differ in detail, they must provide for an equivalent standard of vetting to the SIB/Miboc requirements.

An applicant to SIB/Miboc will have to present a business plan, a budgeted profit and loss statement for its first 12 months, and details of its structure, staff and financial position.

SIB/Miboc officials may interview applicants and visit their offices.

An applicant rejected by an SRO can make an appeal to a tribunal and, if unsuccessful again, can apply to SIB/Miboc for direct authorisation. The applicant may also appeal against the decision of SIB/Miboc.

The authorisation of investment businesses is expected to be a particularly sensitive task for the SROs. Already, the National Association of Securities Dealers and Investment Managers (Nasdim), which is planning to become a designated SRO under the Financial Services Bill, has been struggling with a difficult decision over whether to accept a membership application from Harvard Securities, a dealer in unquoted shares with a reputation for aggressive selling to the public.

Stock Exchange floats campaign

BY NICK BUNKER

AN EXUBERANT Sir Nicholas Goodison (above), chairman of the London Stock Exchange, yesterday launched the exchange's latest publicity venture aimed at promoting wider share ownership.

To mark the opening of an advertising campaign, Sir Nicholas set loose 2,000 balloons in a strong west wind from the roof of the exchange's headquarters in Throgmorton Street. Each balloon carried a coupon entitling the finder to a booklet explaining the basics of stock market investment and a place in a raffle for a £100 prize (to be spent on stocks and shares).

On the basis of research to be published tomorrow, the stock exchange believes that between 12 and 16 per cent of British adults – or between 5m and 7m people – now own shares.

Its advertising campaign, aimed at boosting this figure, will cost the exchange's member firms £2m over the next 12 months. The first stage will be four weeks of newspaper advertisements, also carrying coupons so that potential investors can write to the exchange for a free copy of the booklet.

The 48-page booklet contains a directory of 150 stockbroking firms interested in taking on private clients. It explains the nature of stocks and equities, how to choose a broker and the mechanics of stock exchange transactions, including a description of this October's Big Bang reforms.

It was produced in response to recommendations from the exchange's retail development advisory group, which argued that lack of readily accessible information about stock market investment was a major factor inhibiting wider share ownership.

The exchange is also setting up a wider share ownership campaign unit within its public affairs department.

Heath acts on share price fall

BY JOHN MOORE

THE BOARD of C. E. Heath, one of Britain's largest insurance brokers, has asked its stockbrokers, James Capel and Kitcat & Aitken, to see whether a formal investigation into the group's share price movements should be mounted by the London Stock Exchange.

The move follows the sharp fall in the group's share price after speculation that the group faced a series of problems. In the last week, since the group announced that it was in merger talks with a small UK insurance broker, Dewey Warren, the share price has fallen 88p to yesterday's level of 525p.

The sharp deterioration came in the last two days when speculative activity took place in the group's shares. Amid rumours, C. E. Heath moved yesterday to clarify its involvement in two legal disputes – one involving £6.4m and the other involving the liquidation of a company in Bermuda, Mentor Insurance.

Heath said yesterday that it had already been stated, in its latest report and accounts for the year ending March 31 1986, that £6.4m due to the company from the sale of its subsidiary Motolease was the subject of a legal challenge.

After legal advice, the directors of Heath have stated in the accounts that the amounts are fully recoverable.

Heath also pointed out that it had stated in its latest accounts that a subsidiary, the Pinnacle reinsurance company in Bermuda, had been named in litigation for substantial damages by joint liquidators of the Mentor Insurance Company of Bermuda.

In the accounts, the directors of Heath have said that they have taken legal advice and have concluded that there is no material case to answer and that no material liability will result from the action. No provision has been made in the accounts for any damages or liabilities.

● The House of Lords appeal in the case over the ownership of the Trustee Savings Bank (TSB) begins today, David Lascelles writes.

The hearing, before five law lords, is expected to take six to eight days, and a judgment should be given two to three weeks later.

The appeal follows the challenge by TSB depositors to the Government's plan to float the TSB on the London Stock Exchange. They claim that TSB's assets belong to them and not, as the Government said, to the TSB itself.

The law lords will hear evidence from TSB depositors' associations, the TSB itself and public officials. The Scottish depositors won an initial ruling in their favour which was later reversed on appeal.

GM drops its world van project in 'shift of resources'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

GENERAL MOTORS has shelved plans for a "world van" which was to be built in several countries, including Britain where it would have replaced the CF medium van.

This new evidence of the upheaval within GM's world truck and bus organisation, of which Bedford in the UK is a key element came to light yesterday in the US.

Metalworking News magazine, which has close contacts with the motor industry's machine tool suppliers, reported that GM had dropped the world van project and would instead redesign its current range.

Bedford confirmed that GM has "suspended work on the truck programme. It is a shift in resources". It refused to give any hint about GM's new van policy or whether Bedford would go-it-alone to replace the CF, which was launched in 1968 and had a major "facelift" three years ago.

CF has been losing ground in the UK and continental European export markets to newer products from European producers and is now under threat from Ford's new transit.

During the talks with BL about the purchase of its Land Rover-Leyland commercial vehicles division, which broke down three months ago, GM suggested that one of the most pressing problems for both companies was the development of new medium-eight van range.

GM argued that the investment would not be worthwhile unless a joint vehicle to replace both the Bedford CF ranger and the BL Sherpa vans was developed.

The GM world van project was supposed to save money by having subsidaries around the world use a common design and sharing some key components. It was first considered in the late 1970s and the first vehicle was scheduled for introduction in the autumn of 1988. But the launch had already been put back at least once before being postponed indefinitely.

In North America, the group builds vans at Lordstown, Ohio, and Scarborough, Ontario. At the Bedford van plant at Dunstable, north of London GM has attempted to raise output by spending £50m to produce two vans, smaller than the CF from Japanese designs: the Midi, based on an Isuzu vehicle, and the Rascal, from a Suzuki design.

Some observes now feel that GM might rely more heavily on Isuzu, in which it has a 38.6 per cent shareholding, for its van supplies in the future. The US group already sells some medium trucks supplied by Isuzu, but with GMC and Chevrolet badges, in the US.

GM's world truck and bus division, based at Pontiac, Michigan, is making other significant shifts in strategy. It has put its bus operations up for sale and says it must take steps to make its heavy truck business more competitive – perhaps with a partner.

In the UK, Bedford has announced that it is seeking 1,700 voluntary redundancies, representing a 23 per cent cut in its current workforce. The company said yesterday that, judging by the initial reaction, it would have no trouble getting the volunteers.

Unleaded petrol ready for sale

BY JOHN GRIFFITHS

OWNERS OF cars with "retarded" engines will this week be able to use unleaded petrol in Britain – assuming that they can find one of the few Esso and BP service stations which have it on offer.

They would then cease to contribute to the long-acknowledged health hazard presented by the use of lead in car fuels (although their cars would still emit other pollutants such as nitrogen oxides which continue to worry governments).

This followed an announcement by Esso that the 95 Octane fuel was being made available initially at 10 petrol stations in London. BP said that its first unleaded petrol would be sold from a site at Bournemouth.

Only 24 hours earlier, the Environment Department had announced its intention to see established "at least a minimum" network of unleaded petrol supplies in the UK by October of next year, by compulsion if necessary.

Esso expects to have a nationwide network of about 100 stations selling the fuel by the end of the summer.

As investment banks race to reorganise, a major new force emerges.

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UK NEWS

Building society cash-card link with US, Japan

BY WILLIAM HALL IN NEW YORK

CUSTOMERS of the Abbey National and Nationwide, two of Britain's three biggest building societies, will shortly be able to join an estimated 60m other customers of financial institutions around the world who can use plastic cards to withdraw cash at more than 10,000 automated teller machines (ATMs) in North America and Japan.

The Denver-based Plus System, the biggest shared network of ATMs in the US, yesterday announced that several financial institutions in the UK and Japan had joined its system. Mr Dale Browning, President of Plus, said that the new members meant that Plus was the first network to offer ATM cash withdrawals on three continents.

The Abbey National and Nationwide have been joined by Funds Transfer Sharing (FTS), a consortium owned by 20 British financial institutions. They will link their 950 ATMs in the UK to the Plus system, which is owned by 34 major North American financial institutions.

An additional 1,000 ATMs in Britain, are scheduled to be linked to the Plus system in the second year of operation and Plus is in discussions with a British clearing bank and other UK financial institutions.

JCB, the largest credit card issuer in Japan and the fourth largest card issuer after Visa, Mastercard and American Express, has also joined the Plus system. It is owned by several Japanese financial institutions which control nearly 6,000 ATMs and issue over 17 debit and credit cards.

Although JCB will initially be able to offer overseas travellers access to only about 100 ATMs in Japan, it hopes that member banks will increase the participation by bringing their own ATM networks into the Plus system.

Plus also announced yesterday that it has extended its system to Puerto Rico, where seven financial institutions with 150 teller machines have joined. Plus expects to sign up banks in several other Caribbean countries as well as in Europe and south-east Asia.

Mr Browning, who was speaking in New York, said that his aim was to create an international network of ATMs which would allow customers from all over the world to access their own bank accounts via ATMs in foreign countries. It would eliminate the need for travellers' cheques and large amounts of cash.

He estimated that if a customer of Abbey National for example was on holiday in San Francisco, it would take less than 16 seconds for an ATM cash withdrawal to be processed through the Californian ATM.

Mr Bill Murphy, vice president of FTS of Britain, estimated that a UK customer withdrawing $100 from a Californian ATM would be charged a fee of not more than $1 a transaction.

Privatisation of energy urged by 'think-tank'

BY MAURICE SAMUELSON

NUCLEAR power is still potentially the safest, as well as the cheapest, source of Britain's energy, says a report which urges privatisation of all the country's fuel and power industries, including the nuclear sector.

The document, issued by the London-based Institute of Directors, is the most radical and far-reaching of a recent series of right-wing "think-tank" proposals for ending government influence over the supply and distribution of energy.

As well as urging privatisation of coal mines, power stations and the national electricity grid, it proposes the abolition of the Department of Energy and says that the Government does not even have a role in promoting energy conservation.

Why Make Fuel Dear? An Energy Policy for Consumers; Policy Unit, Institute of Directors, 116 Pall Mall, London SW1Y-5ED; £2.95.

Ship was deliberately set ablaze says judge

By Andrew Fisher, Shipping Correspondent

AN INSURANCE claim for $9m (£6m) over a ship which sank in the Red Sea in 1982 has been dismissed by a High Court judge on the grounds that she was scuttled – the first time an English court has made such a finding since 1968.

Mr Justice Evans decided after a 40-day hearing that the mv Captain Panagos, a bulk carrier of 29,000 deadweight tons, had been deliberately grounded and set ablaze.

The ship grounded on Farasan island in the Red Sea in November 1982 and caught fire.

Her owner, Xenofon Maritime SA of Panama, and her mortgagee, Continental Illinois Bank and Trust, of Chicago, claimed $9m plus interest for the loss from the insurer, Alliance Assurance, part of Sun Alliance.

The judge said he was satisfied there had been a preconceived plan to scuttle the ship. The owners and the bank claimed there had been an accident, for which no-one could be blamed.

Alliance argued that Xenofon's main shareholder and managing director, Captain Diamantis Pateras, was facing financial problems and succumbed to the temptation to scuttle his ship and recover the sum assured.

Mr Justice Evans said it was impossible to say whether the ship's master, Captain Lambros, had conceived the scuttling plan. But he was sure he "received a sufficient indication of assent and authority from Captain Pateras to cause him to proceed as he did."

Captain Pateras died three months after the incident, at the age of 46, and had not had a chance to defend himself, said the judge. The mortgagees were innocent parties.

Welcoming the judgment, Mr Alan Birch, Sun Alliance's marine claims manager, said: "The case is a clear demonstration of the determination of underwriters to defeat fraudulent claims."

The last ship found by an English court to have been scuttled was the Trepaileros, a cargo ship.

Hugh Carnegy on the suspicions raised among nationalists over a stalled inquiry into the RUC

Ulster police face a question of mistrust

JUST WHEN the British and Irish Governments seemed to have cleared the decks for the summer after six months of tricky but more or less mutually satisfactory operation of the Anglo-Irish agreement, an issue has blown up in their faces.

It is the controversy surrounding an investigation into the Royal Ulster Constabulary (RUC) by Mr John Stalker, Deputy Chief Constable of Greater Manchester, and his suspension from duty and replacement on the RUC case at the end of May just as he was about to embark on further inquiries in Belfast.

Mr Stalker's solicitors are due to give a press conference today to comment on his suspension pending an inquiry into unspecified allegations of misconduct in Manchester. Regardless of what Mr Stalker may say and what may subsequently emerge, the consequences of the *episode as far as Northern Ireland* is concerned have already been considerable.

At issue is the deep suspicion that runs through the Roman Catholic minority in Northern Ireland of the predominantly Protestant RUC and the operation of the security forces and system of justice. It is a crucial part of the Anglo-Irish agreement, which was signed last November and gives Dublin a say in the affairs of the province, to reduce this suspicion and build confidence among nationalists and so cut off support for the Irish Republican Army (IRA) and its political wing, Sinn Fein, which feeds off such alienation.

Mr Seamus Mallon, deputy leader of Northern Ireland's Social Democratic and Labour Party and MP for Newry and Armagh, put it this way: "Mr Stalker's removal from duty has been a body-blow to people's hopes in that – as one person said to me – it now seems that it is impossible to get justice in Northern Ireland. There is great despair and great anger."

It was in Mr Mallon's constituency that the events at the centre of Mr Stalker's investigation, took place.

In the space of just over a month *in November and December 1982*, the RUC shot dead six people, including three members of the IRA and two from the INLA (Irish National Liberation Army), in three incidents near Lurgan in County Armagh.

Five of the victims were unarmed and the sixth, apparently unconnected to any paramilitary group, had only an antique rifle with no ammunition.

There was an immediate outcry from the nationalist community that RUC special units, exasperated by a spate of violence in which 47 people had died in three months, were operating a "shoot-to-kill" policy.

The outcry was fuelled by the subsequent trials in which RUC officers accused of murder were acquitted. It emerged during the trials that junior officers had given false statements about the incidents on the direction of unnamed senior officers to protect policing methods and that RUC Special Branch men had, on at least one occasion, operated across the border in the Republic.

In May 1984, Mr Stalker was appointed to investigate the whole issue and from then on "the Stalker report" was regarded by national*ists as an acid test of the system.*

Last September, Mr Stalker, who quickly won nationalist respect for the thoroughness of his inquiry, handed over what now turns out to be an interim report to Sir John Hermon, the RUC Chief Constable, who passed it on five months later to the Northern Ireland Director of Public Prosecutions, Sir Barry Shaw.

By then it had become common knowledge in Belfast that senior RUC men were unhappy about Mr Stalker's approach, believing that he did not fully appreciate the special circumstances under which the police have to work in Northern Ireland.

Mr Stalker wanted further information, apparently concerning an MI5 (intelligence service) surveillance tape from the scene of one of the incidents. He was due to return to Belfast to pursue this with Sir John when he was replaced by Mr Colin Sampson, Chief Constable of West Yorkshire, the man who is also to investigate Mr Stalker's alleged misconduct and who has yet to visit Northern Ireland.

Nationalists are convinced that Mr Stalker's findings would have led to the indictment of a number of senior RUC officers and would have *voiced concern about some of the* security forces' operational methods.

If, as Mr Mallon believes, such findings will not be allowed to emerge, then nationalist suspicions of a cover-up involving the silencing of Mr Stalker will be confirmed. The irony is that this is happening as the RUC was beginning to win credit from Catholics for confronting loyalist violence.

"If there is an attempt at a cover-up, then whatever little bit of confidence there may be in relation to the police will disappear," Mr Mallon said.

Recognising this, the Irish Government has made its deep concern about the issue clear to London. Apart from the "shoot-to-kill" allegations, Dublin is also anxious to get to the bottom of the question of British forces crossing into the Republic, an issue of great sensitivity politically to the Fine Gael-Labour coalition.

Hackles were needlessly raised last week when London first told Dublin that Mr Stalker's report was complete, then, after some public confusion and embarrassment, had to apologise and confirm that it was not.

A testy Dr Garret FitzGerald, the Irish Prime Minister, said on Irish radio at the weekend that it was vital that the whole matter be cleared up quickly. He may raise it at a bilateral meeting with Mrs Margaret Thatcher during the European Community heads of government meeting in The Hague tomorrow.

Komatsu set to nominate single union for British factory

BY NICK GARNETT

KOMATSU, the Japanese construction equipment and engineering company, will choose within the next few weeks either the Amalgamated Engineering Union (AEU) or the General, Municipal and Boilermakers for the single-union deal it is seeking at its newly-acquired plant at Birtley, near Newcastle.

The plant, due to come into commercial production next spring, will employ 270 by 1988 producing excavators and wheel loaders.

As at Nissan's car assembly plant a short distance away on Tyneside, the Komatsu agreement will almost totally preclude industrial action during exhaustive procedures over disputes.

Mr Clive Morton, director of personnel and administration at Birtley, said yesterday that he hoped to have an agreement signed by August. The company has yet to provide the unions with draft documents to consider.

Mr Morton said the fact that the AEU had been chosen by Nissan had "some significance" but there were other factors to consider. One was that Komatsu would be engaged in a much heavier form of engineering.

"We are taking a very cautious approach. We have to see whether some of the organisation methods there are totally relevant in the UK," he said.

It is already clear, however, that the Birtley plant will follow the traditional Japanese pattern of using team leaders among the 150 direct production workforce, a so-called team improvement programme, 10-minute mandatory briefing sessions outside normal work hours, job flexibility, single status canteen and company "uniform." Pay will be partly determined within banding zones by an individual's personal performance.

The plant's management also intends to have a rather robust suggestion scheme through which supervisors and other personnel will be expected gradually to improve manufacturing times.

The company said that it had yet to decide whether it wanted a company council as a negotiating body. Such a council is the only recognised discussion and bargaining forum at Nissan. Komatsu has decided, however, on a simple structure for shopfloor personnel with virtually one grade of worker to be known as manufacturing staff.

● Devonport Royal Dockyard in the west of England has won an order to refit the royal yacht Britannia. Last week the dockyard agreed a novel industrial relations package with its unions, including a no-strike commitment, in order to win the order.

US fiscal deficit major distortion, says Lawson

BY GEORGE GRAHAM

MR NIGEL LAWSON, Chancellor of the Exchequer, yesterday attacked the US for failing to use the increased revenues that are expected to result from its tax reform programme to reduce its Federal budget deficit.

The Chancellor rejected criticism of the *UK for failing to follow* the US in reforming its tax structure, and said that there was little to admire or emulate in US fiscal policy.

"The size of the US fiscal deficit is one of the major economic distortions in the world today," Mr Lawson said, in a speech to the Midland Industrialists Advisory Council in London yesterday.

"It must, therefore, be a matter of some regret that the intention is to use not a penny of the vast increase in revenues expected to accrue from the removal of distortions and closure of loopholes to reducing the deficit, but rather to devote it entirely to a massive reduction in income tax from what is already an enviably modest level."

The US tax reforms, which aim to sweep away a range of tax allowances and special concessions while reducing the level of income taxes, were first proposed nearly two years ago, Mr Lawson said, but still none of them have reached the statute book. *In the UK, in contrast* company taxation has been reformed and four other taxes abolished.

"With the exception of the somewhat technical question of the taxation of dual resident companies, I cannot think of a single loophole or distortion in the UK tax system which the current United States tax reform package proposes to close or remove in the US," Mr Lawson said.

The British Government had also had the courage to take the measures necessary to reduce its budget deficit to an acceptable size before embarking on the path of tax reductions it was now pursuing, Mr Lawson said.

UK NEWS

Railways launch drive for jobs equality

BY DAVID THOMAS, LABOUR STAFF

BRITISH RAIL has launched an equal opportunities programme in response to a comprehensive report on women workers in British Rail published yesterday by the Equal Opportunities Commission (EOC).

Both BR and the commission yesterday hailed the report as a watershed in equal opportunities within the industry. The report, the first of its kind prepared by the EOC, was carried out at the invitation of BR and received the complete co-operation of both rail management and unions.

The report found that fewer than 7 per cent of BR's workforce were women (8,987 from a total of 149,517). They were concentrated in lower-grade clerical posts in jobs such as carriage cleaning. There were only two women at senior management level and only 169 out of a total of 8,037 at manager level. There were seven women train drivers (21,506), 64 guards (11,072) but none employed in track repair (20,201).

Ms Diana Robbins, the report's author, said yesterday that she found a complete lack of knowledge of sex discrimination legislation among people interviewed during her research, which was conducted in 1983–84. Some local managers responsible for recruitment had told her of potentially unlawful practices such as advertising jobs explicitly asking for men; trying to get rid of women who were employed; and saying that they would not appoint women as apprentices.

A number of personnel practices are common within the rail industry which tend to discriminate against women, according to the report, including promotion based on length of service.

BR had not tried to make its working conditions flexible in ways which would help employees with family responsibilities. For example, hardly any jobs (0.25 per cent) were part-time, yet part-time jobs often suited women, the report says.

Ms Robbins yesterday criticised the rail unions for lacking explicit policies on women. She said this lack of developed policies covered women as railway workers, women as members of the unions and even women as employees of the unions.

BR said yesterday that it had taken two main decisions as a result of the report: it had appointed an equality officer and had overhauled its equal opportunities policy and sent it to all staff.

Mr John Palette, BR managing director for personnel, added: "We have approached our unions to ensure that there are no discriminatory elements in the agreements between us."

Murdoch dispute fails to hold place in strike ratings

BY PHILIP BASSETT, LABOUR EDITOR

THE GOVERNMENT'S strike statistics, which ministers claim show the lowest strike activity in the UK for half a century, are artificially low because they do not include the year's most significant dispute – News International's (NI) fight with the print unions over its Wapping printing plant in east London, according to the pay research company Incomes Data Services (IDS).

IDS acknowledges that the present strike figures are low, but it says that by not including Wapping in its regularly published strike statistics, the Government has undercounted the number of working days lost through strikes by half a million days. The Department of Employment denies the charges.

In a forthcoming issue of its fortnightly review, IDS says that the Government's figures include the dispute as a strike only from January 24 to January 29, and that since then the dispute has not been counted in the calculations.

Although Mr Rupert Murdoch's company has dismissed all of its previous print workforce, print union leaders and their members regard it as a strike, arguing that such dismissals are common in British industrial relations and especially in the newspaper industry.

They point to the fact that the company has held negotiations with the unions – Mr Eric Hammond, general secretary of the EETPU electricians' union, is flying out to the US on Friday for talks with Mr Murdoch in the hope of resolving the dispute – and see this as a clear indication that Wapping is a strike. Further, the company's "final" £50m offer, which was rejected in a ballot of union members, included as a constituent part the lifting of all industrial action by the unions.

IDS calculates that with 5,500 workers involved, the number of days lost through the dispute in the five months from February is about 500,000, which would push up the number of days lost through strikes so far this year from 690,000 in the four months to April, based on latest available figures, to about 1.2m.

The Department agreed yesterday that figures from Wapping were now not included in the strike statistics, but said that it did not regard the dispute as a strike. Apart from the initial period, no working days had been lost and production of the company's newspapers had continued almost normally.

It disagreed with IDS calculations about the number of days involved, arguing that since many NI ex-employees were part-time, or did not work a five-day week, the calculation could not be carried out in such a way as to produce a figure of 500,000.

Tory setback to social security reform

BY IVOR OWEN

A THREE vote defeat in the House of Lords has embarrassed the Government and put a question mark over its plans to ensure that the rate (local property tax) burden is more widely shared by requiring all adults, including social security claimants, to make at least a 20 per cent contribution.

Ignoring ministerial objections, peers carried an amendment to the Social Security Bill – by 89 to 86 – designed to ensure that the unemployed and other categories entitled to housing benefit qualify for 100 per cent rates relief.

At present, unemployed people do not have to pay rates, and peers protested that forcing them to make a contribution would hit those already suffering greatest hardship in the community.

Baroness Jeger (Labour) said the bill sought to put an added burden on "people so poor that they already qualify for income support."

Scheme aims to improve Oxford Street

By Lisa Wood

TAXIS and buses could be banned from Oxford Street in London, one of Europe's busiest shopping streets, if plans announced yesterday are adopted.

Private cars are already banned from using the 1¼ mile street in the daytime.

The new initiative to end traffic congestion comes with a package of environmental improvement proposals drawn up by a steering group whose members include representatives from Westminster City Council, traders from the Oxford Street Association and landowners including Grosvenor Estates.

The proposals have already been attacked by representatives of London's 18,000 taxi drivers. Opposition is also expected from residents in adjoining streets where taxi and bus traffic would be diverted.

Mr Alan Bradley, chairman of the group and chairman of Westminster planning and development committee, said: "Overcrowded pavements, pollution, noise and general clutter are all detracting from what should be a shopping showpiece. There are also far too many accidents on Oxford Street."

He said the group believed its proposals would transform the street and help to fight off challenges from new shopping complexes.

The interim report, which is being sent out for consultation, comes 14 years after the ban on private cars.

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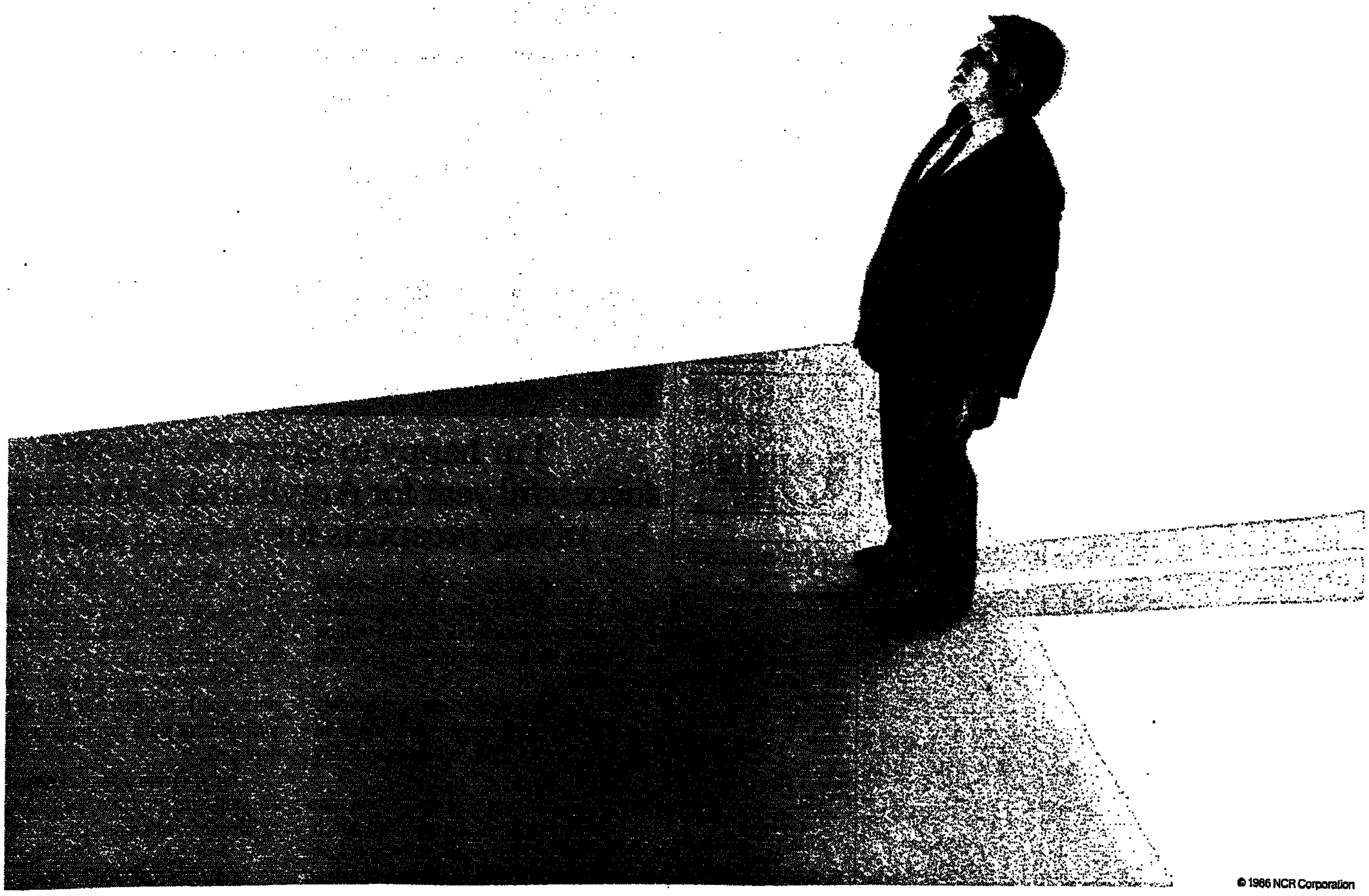

FT LAW REPORTS

Creditor of struck-off company cannot restore name to register

RE AGA ESTATE AGENCIES LTD

Chancery Division: Mr Justice Harman: May 23 1986.

WHERE A person lends money to redeem charged property held in the name of a company which has been struck off, he cannot later petition for the company to be restored to the register to enable him to claim in a winding-up if he was neither a creditor nor a member of the company at the date of its dissolution.

Mr Justice Harman so held when dismissing a petition for restoration of the name of AGA Estate Agencies Ltd ("the company") to the register of companies, and for its compulsory winding up. The petition was addressed to the company, which did not exist at time of presentation. The Registrar of Companies was joined to the proceedings.

Section 353(6) of the Companies Act 1948 provides: "If a company or any member or creditor thereof feels aggrieved by the company having been struck off the register the court, on an application made by the company or member or creditor before the expiration of 20 years ... may ... order the name of the company to be restored to the register ... and the court may ... make such provisions as seem just for placing the company and all other persons in the same position ... as if the name ... had not been struck off."

HIS LORDSHIP said that the petition was for restoration of the company's name to the companies' register, and for its compulsory winding-up on the ground of insolvency.

The petitioner alleged that the company owed him £5,416 which he had paid to National Westminster Bank in August 1972 to redeem a charge held by the bank on the company's freehold property. It was alleged that on October 11 1976 the petitioner's solicitors served a statutory demand on the company and that the demand was still unsatisfied.

The difficulty arose from the allegation that the company had been struck off the register and was thereafter dissolved in October 1971. The dissolution of the company preceded the payment to the bank by about 10 months.

None of the facts alleged was in doubt. The company had owned the property formerly charged to the bank. There was a freehold property registered in the name of the company. The petitioner had on the evidence a genuine claim for money which would be repaid by a sale of the property.

The petitioner had presented a petition in 1976 for the same relief as was now sought, but had been persuaded to withdraw it by the promises of the fraudster who controlled the company. The promises were not kept.

In *New Timbiqui Gold Mines Ltd [1961] Ch 319* it was held that in order to qualify as a member or creditor within section 353(6) of the Companies Act 1948 the petitioner must show that he was a member or creditor at the date when the company was dissolved.

On that test the petitioner in the present case could not succeed since he was not a creditor of the company when the company was dissolved in 1971.

Mr Mummery for the Registrar submitted that the decision in *New Timbiqui* was correct. He said it had stood unchallenged for 25 years and been regularly acted on in practice, and that for the court to depart from it must require a very strong conviction that the decision was plainly wrong. He submitted that the court had no jurisdiction to entertain the petition.

Mr Hoser for the petitioner pointed out the oddity of section 353(6). It expressly provided that a company which *ex hypothesi* did not exist, might feel aggrieved and make an application to the court.

In practice the court usually required that an extant person, whether member or creditor, should join in the application so as to ensure that a person against whom orders could effectively be made was party to the proceedings.

Mr Hoser submitted that the *whole effect of the section was* to create an "as you were" position.

That was correct since if a petition was properly presented and if the court exercised its discretion in favour of restoring a company's name to the register, the company was "deemed to have continued in existence as if its name had not been struck off."

But, as Mr Mummery observed, that "as you were" position arose only *after* the petition had succeeded.

On the basis of reported cases Mr Hoser suggested that the reasoning in *New Timbiqui* was far too narrow and that a broad approach to construction was correct. He adopted as part of his argument footnote 19 at page 808 of *Buckley on the Companies Act (14th ed) 1981*, where it was suggested that the decision in *New Timbiqui* was wrong or at least too widely expressed.

Mr Mummery submitted that a judge must approach authorities of long standing with respect and great care. He said that counsel who argued *New Timbiqui* analysed the terms of section 353 fully to the judge.

He submitted that the opening terms of the subsection showed that the company or member or creditor must have felt "aggrieved" at the date of the striking off because the words could not sensibly be read otherwise.

As a matter of logic, he said, it could not be asserted that the petitioner in the present case advanced money *to the company* in August 1972 because there was no company at that date to which the money could have been advanced.

Accordingly, said Mr Mummery, the reasoning in *New Timbiqui* was entirely sound and correct.

Mr Mummery's arguments were correct. His contentions that the decision in *New Timbiqui* was fully argued and was the correct construction of the statute, and that the criticism in *Buckley* was unsound and unsupported by authority, were accepted.

It would be wrong to depart from *New Timbiqui* which had been followed and applied very many times since it was pronounced.

The petition could therefore not be entertained since it was presented by a person with no *locus standi* under section 353 (6).

For the petitioner: Philip Hoser (Blacket Gill & Swain) For the Registrar: John Mummery (Treasury Solicitor)

By Rachel Davies
Barrister

THESE REPORTS are published in volume form with the full texts of judgments. For subscription details contact Kluwer Law Publishing, Africa House, 68 Kingsway, London, WC2B 6BD. 01-831 0391.

APPOINTMENTS

Top posts at Cadbury UK

CADBURY SCHWEPPES has appointed **Mr David Wellings** as managing director of Cadbury UK. He will take up his appointment later this year. Mr Wellings is director of business development at Imperial Foods where until recently he was chairman and chief executive of Golden Wonder. The present managing director of Cadbury UK, **Mr Neville Bain**, will become managing director, international confectionery for Cadbury Schweppes at the beginning of August and will become chairman of Cadbury UK.

★

HEWGATE CONSTRUCTION GROUP, Aylesbury, has promoted **Mr Geoffrey Lenge** to marketing and sales director. He was group marketing and sales manager.

★

SAUTER AUTOMATION, Slough, has appointed **Mr John Waddelove** to the board. He runs Sauter's contracting activity.

★

Mr Fred Dinmore (Cornhill Insurance) has been re-elected chairman of the LINKED LIFE ASSURANCE GROUP, and **Mr Don Shore** of Provincial Life was elected deputy chairman.

Sears board position

Mr J. Michael Pickard is to join the board of SEARS as deputy chief executive on September 1. He was deputy chief executive of Imperial Group and chairman of Imperial Brewing and Leisure.

★

THE BAR ASSOCIATION FOR COMMERCE, FINANCE AND INDUSTRY has elected **Mrs Katherine Holmes** of the Distillers Company as chairman; **Mr Bernard Kelly** of Mobil Oil Company and **Mr Timothy Foley** of W. S. Atkins Group were elected vice - chairmen. **Sir Gordon Slynn**, Advocate General at the European Court of Justice, has been appointed a vice-president.

★

Mr M. M. H. Foster and **Mr K. H. Walley** have been appointed to the board of RECKITT & COLMAN from July 1. Mr Mark Foster joined the company in 1959. In 1980 he became managing director of the household and toiletry division and in 1984 transferred to the pharmaceutical division as its managing director. He will now be responsible for development and expansion, on a worldwide basis, of Reckitt & Colman's pharmaceutical business, as well as remaining managing director of the UK pharmaceutical division. Mr Keith Walley becomes a non-executive director. From 1952 to 1984 he was with the Shell group, culminating as managing director of Shell UK and of Shell Chemicals UK.

★

THE WILLOW GROUP has appointed **Mr John Durrant** as managing director.

★

LEP GROUP has set up a company to improve control over the group's international interests. The board of LEP International Management comprises the group chairman, **Mr John Read**; group *finance director*, **Mr John Leach**; **Mr Brian Leeper**, a main board director; and **Mr Peter Kirkby** who is at present joint managing director of LEP International in the UK. **Mr Keith Studer** will become the sole managing director of LEP International in the UK.

★

Following the death of **Mr Louis Heymann**, LEOPOLD JOSEPH & SONS has appointed **Mr Robin Herbert** as chief executive. He will hold this appointment in addition to his current appointments as chairman of Leopold Joseph Holdings and Leopold Joseph and Sons.

★

MOTT, HAY & ANDERSON has appointed **Mr J. B. Kirby** as a director of A. H. S. Waters and Partners.

★

SEDGWICK UK has appointed **Mr Michael Ross Collins** as a deputy chairman. He will also *be assuming responsibility for* the London region of Sedgwick UK as its chairman.

★

Mr Ken Mason has been appointed managing director of CURRENCY BROKERS INTERNATIONAL, a subsidiary of Mayflower Holdings.

★

BRYANT HOLDINGS has appointed **Mr Terry Flower** as joint managing director of Bryant Homes. He was sales director.

★

KINGSWOOD CHEMISTS has appointed **Mr Malcolm Bayly** as operations director. He also joins the board of Booker Pharmaceuticals. Mr Bayly was with Savory and Moore as sales director.

★

Mr Gwyn Jones Francis is to become director general of the FORESTRY COMMISSION from November 10 in succession to **Mr George Dennis Holmes**, who retires on November 9. **Mr David Lovell Foot** becomes forestry commissioner (operations) in succession to Mr Francis, who joined the Commission in North Wales in 1954. Mr Foot was director of harvesting and marketing division.

★

Mr Jolyon E. Sloggett has been appointed secretary of THE INSTITUTE OF MARINE ENGINEERS from July 1.

★

Mr Jonathan Fahie has been appointed an assistant director of FENCHURCH SCOTT REINSURANCE BROKERS from July 1.

★

Mr Stephen Walker has been appointed *operations director of* PENTOS RETAILING GROUP. He was divisional sales manager of W. H. Smith Do It All.

★

Following the announcement by BCPH that its bid for LAND INVESTORS has become unconditional, **Mr Michael Fielding**, ***Mr Berish Berger***, ***Mr David Garrard*** and **Mr Colin A. Gershinson** have been appointed to the board of Land Investors. Mr Fielding becomes deputy chairman of Land Investors.

★

Mr Heddwyn Davies has been appointed director of Membrain Defence Systems, a division of FACTRON SCHLUMBERGER. He was director and general manager of STC Components, and a divisional manager of GEC Avionics.

★

Mr Richard Gillis has been appointed company secretary of BRITISH RAIL ENGINEERING. He was company lawyer at Tube Investments.

★

Mr Ted Bradshaw, formerly chief dealer of the Bank of England from 1971 to 1976, shortly retires as director treasury of Hungarian International Bank and will, from October 1, become a director of HARLOW UEDA SAVAGE (FOREIGN EXCHANGE).

★

Mr Christopher G. Kenyon, chairman of William Kenyon & Sons, has been appointed a director of NATIONAL WESTMINSTER BANK'S north regional board.

★

Mr Graham Barratt has been appointed a director of DEREK CROUCH (SALES), part of the Derek Crouch group. Mr Barratt joined Derek Crouch as group internal auditor in 1979.

★

Mr Julian Baddiley has been appointed finance director at TR INTERNATIONAL (CHEMICALS), a Simon Engineering company. He was previously finance manager.

Halford Shead restructures

HALFORD SHEAD AND CO—the high-value high-risk insurance arm of the Alexander Howden Group specialising in jewellers block and bullion business—has made a number of board appointments following corporate restructuring. **Mr R. Drain** is named chairman and **Mr J. A. Clark** becomes managing director. Joining the board are **Mr B. C. Ainsworth**; **Mr C. S. Bailey-West**; **Mr T. Calver**; **Mr C. J. Lambdon**; **Mr R. W. Larkin**; **Mr F. N. Marjoribanks**; and **Mr J. L. Hill** who is also secretary.

Company Notices

ANNOUNCEMENT
AND
NOTICE OF REDEMPTION

ASIA NAVIGATION INTERNATIONAL LIMITED

US\$50,000,000 6½ per cent.
Convertible Guaranteed Bonds 1989 ("the Bonds")

IT IS ANNOUNCED that the Supreme Court of Hong Kong has sanctioned the Scheme of Arrangement between Eastern Asia Navigation Company Limited ("EAN") and the minority shareholders of EAN and a copy of the Court Order, together with a minute containing the particulars required by Section 61 of the Companies Ordinance of Hong Kong, have been registered by the Registrar of Companies. Accordingly, the last condition attaching to the proposal to redeem the Bonds, as approved at an Extraordinary General Meeting of Bondholders held on 4th June, 1986, has been satisfied.

THEREFORE NOTICE IS HEREBY GIVEN that, pursuant to Condition 7(C) of the Bonds and pursuant to an Extraordinary *Resolution of Bondholders passed on 4th June, 1986*, Asia Navigation International Limited has elected to redeem, on 8th July, 1986 ("the redemption date") all of the Bonds outstanding at their principal amount together with accrued interest up to the redemption date. The Bonds will cease to bear interest from the redemption date. Payment will be made against surrender of Bonds together with all unmatured Coupons at any of the offices of the Paying Agents as shown on the Bonds. In the event that not all unmatured Coupons are presented the amounts of any missing unmatured Coupons will be deducted from the *sum due for payment. Bonds and Coupons will become void unless* presented within a period of twelve years from the redemption date.

ASIA NAVIGATION INTERNATIONAL LIMITED

Hong Kong
24th June, 1986

Personal

Holidays & Travel

Legal Notices

No. 1986 S 30105
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
BIRMINGHAM DISTRICT REGISTRY
IN THE MATTER OF
SCANRO HOLDINGS PLC
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 4th June 1986 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of capital of the above-named Company from £1,670,000 divided into 3,340,000 Ordinary Shares of 50 peach to £668,000 divided into 3,340,000 Ordinary Shares of 20p each by cancelling paid-up capital to the extent of 30p upon each issued and unissued Ordinary Share and reducing the nominal amount of each such share to 20p.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before His Honour Judge Micklem, sitting as a Judge of the Chancery Division of the High Court, at The Court House, Newton Street, Corporation Street, Birmingham B4 6PY at 10.30 am on Monday the 30th day of June 1986.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

Dated the 25th day of June 1986.
Signed: BLAKEMORES,
of Princes Street,
48 Temple Street,
Birmingham B2 5NP.
Solicitors for the above-named Company.

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THE ARTS

Television/Christopher Dunkley

Midsummer sadness on small screen

The great ship Television has slipped into the summer doldrums. Viewing figures have fallen to their lowest for nearly two years. In the first week of 1986 average viewing per head of the population was 34 hours 39 minutes. By the week ending June 15 — which was before Maradona (a cross between marijuana and belladonna) put England out of the *World Cup*, so that the soccer ratings were presumably still high — the figure had fallen to 21 hours 27 minutes.

No doubt people were being tempted to stay outdoors in the evenings because the weather was fine, but not the finest for two years, surely. Now that the soccer has given way to *Thirty Forty, Oh I Say*, perhaps the number of hours spent in front of the set will rise again. Wimbledon occupies five or six times, perhaps even 10 times, as many hours as the World Cup. Still, that will not help the ratings which record not hours watched, but the size of the audience. These figures, too, have been tumbling, with the top series *EastEnders*, for example, down from a high of 24.4m in early March to 17.5m in early June.

If you suggest to the broadcasters that one of the factors responsible for the summer decline is their own habit of packing the spaces between sports programmes with dreary repeats and cheap imports, you are accused of confusing cause and effect. The use of their cheaper material in the summertime, they say, is merely a sensible marshalling of resources, given the long established fact that audiences shrink in summer whatever you do. They point to the reduction in viewing figures right across the spectrum, including those for such consistent chart-toppers as *EastEnders*, as proof of this. I still maintain that they are, at the very least, contributing to the diminution of interest by this cynical policy of shovelling out a lot of rubbish between June and September.

*

Where ITV is concerned there is a proposal being discussed inside the industry which, if it were introduced at the next IBA franchise round, would, it is argued, have the effect of cutting down the amount of rubbish and raising programme quality generally: the appointment of a single company to serve London seven days a week.

In every ITV region except London there is a single television company selling time to advertisers: Anglia in East Anglia, Granada in the north-west, and so on. The only competition comes from the BBC and it is this arrangement, according to the classic argument supporting the duopoly, which has been so beneficial to British programme standards: with ITV companies having exclusive access to advertising income and the BBC having exclusive rights to the licence fee, the broadcasters have been protected from the competition for money which in some other countries drives down programme standards. However, London has two ITV companies —Thames and LWT—and although they have exclusive rights to different days, they share the one audience and compete quite fiercely for income.

Consequently (says this argument) where Granada can happily afford to behave like public service broadcasters in their region, knowing that nobody will introduce a down-market schedule to steal their viewers and their advertising revenue, the same cannot be said of Thames and LWT. In London the pressures drive inexorably towards audience maximisation, and since the London companies have the strongest influence on the construction of ITV's network schedules the results show up nationwide. Replace London's two companies with one, destroy the need to compete inside the metropolis, and hey-presto those ghastly catchpenny series—*Dimple and Codpiece* or whatever—atrophy to be replaced by Aeschylus in the original Greek.

Of course, the idea begs numerous questions: doesn't most of ITV's rubbish originate outside London? Shouldn't people be allowed to watch *Simper and Frogface* if they want to? Wouldn't a single London company be dangerously large? Nevertheless, it is an intriguing idea, guaranteed to start a fight at any party with more than two television people present.

*

Before we turn our backs gratefully on the neurotic nationalist fervour which does so much to lower television's presentation of the *World Cup* while any of the home teams remain in contention, a word should be said about the simultaneous screening of the England/Argentina game on BBC1 and ITV. The conventional response is to attribute blame equally, yet it is hard not to sympathise with the BBC. They know that whenever both sides show a major sports event the audience splits two to one or even more heavily in the BBC's favour. That being so, why should the BBC be expected to stand aside for ITV? It is like expecting the more successful baker in the high street to close down periodically so that his less successful competitors can sell more bread.

*

It seems that *Newsnight*, BBC2's unique and so often excellent daily current affairs programme, has decided not to try to replace John Tusa (who recently rocketed into the administrative stratosphere with his appointment as managing director of BBC External Broadcasting) but to close ranks round the remaining four chief presenters: Donald MacCormick, Olivia O'Leary, Ian Smith and Peter Snow. Since they are all utterly reliable and highly professional that sounds reasonable enough. Yet it is a measure of Tusa's contribution that without him the programme seems to lack a dimension. The feeling is illogical since Tusa did not appear every night even when he was on the team, yet it is unmistakable. His influence on *Newsnight* was as strong and enticing as Richard Dimbleby's on *Panorama* or William Hardcastle's on *The World At One*: they did not chair every edition, either, but the knowledge that they would be back was enough. The knowledge that Tusa *won't* be back is equally affecting.

*

Chat show producers should examine with care and as much scepticism as they can muster the clearly powerful belief that certain people such as Kenneth Williams and Peter Cook are particularly good value on their shows. The idea seems to be self-perpetuating since these people keep turning up, series after series, decade after decade, yet out here, on the receiving end, it is often difficult to imagine what the producers see in them.

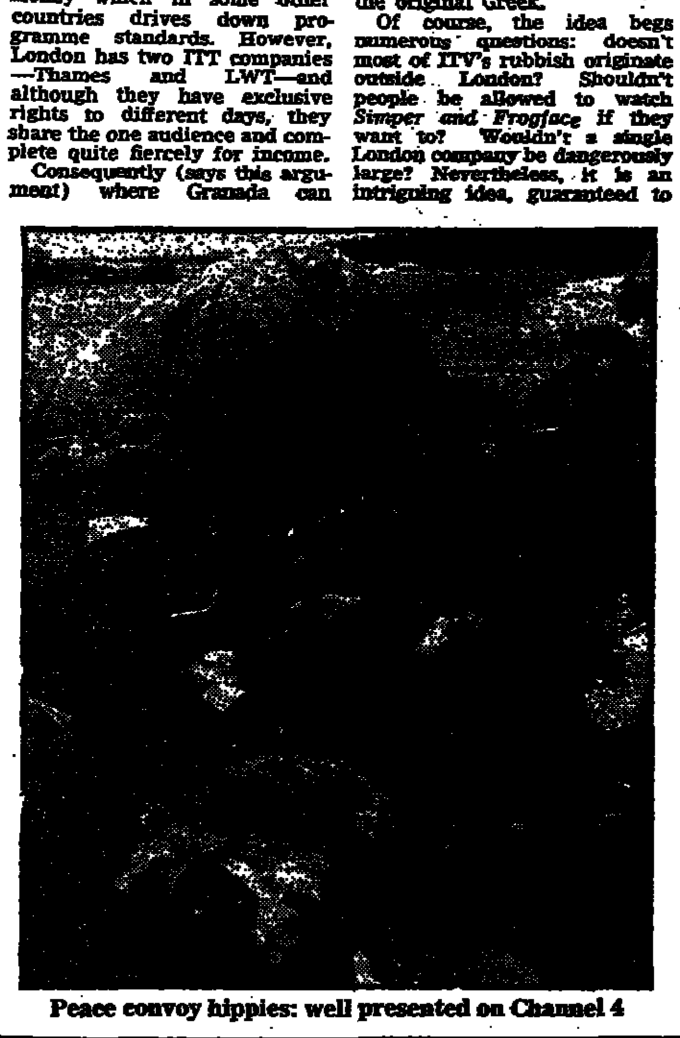
Cook has been at the centre of some of the most impressive comedy ventures of my lifetime —*Beyond The Fringe*, the Establishment club, *Private Eye*, *Not Only But Also* — but that does not make him an ideal chat show guest. His presence on BBC2's unfortunate Joan Rivers chat series *Can We Talk* was baffling.

At least you could see the purpose of drafting Kenneth Williams on to the Wogan show last week as Anna Ford's first guest when she sat in for the eponymous Terry. "Don't worry, Kenneth never dries" they probably said, but the problem was the reverse: having spent years on Radio 4's *Just A Minute*, Williams, once started, is incapable of shutting up and poor Anna Ford could not get a word in.

*

Channel 4's *Diverse Reports* proved its unique value yet again last week. After umpteen reports on the "Peace Convoy" had given us the local authority line, the police line, and the Tory Party/landowners' line. *Diverse Reports* went in among the dangerous hippies with camera and microphone and found out what they were saying.

It was pretty subversive stuff. Of the police, for example: "Well, I'm doing my best to love them" and "They're my fellow brothers and sisters in ignorance. Paid ignorance." Of their children: "Do they look unhealthy? Hungry? Unhappy?" Of the supposed violence in the camp: "You go round here and try to pick a fight. I'll lay you a tenner you won't get one. Where else could you say that?" Of drugs: "Every day the motorways are crowded with lorries supplying the valium and the phenobarbitone, all the mother's-little-helpers for millions of housewives. At our camp fire there's a few people who enjoy a spliff. The only rule in this camp is no hard drugs." Structurally and technically the programme could not have been simpler, yet the result was unusual, informative and in all respects excellent.



Peace convoy hippies: well presented on Channel 4

For Peter Pears/Snape Maltings

Ronald Crichton

In compensation for roaring northerly winds and low spirits induced after two or three days by the persistent and by now traditional limitation of amenities, the closing stages of this year's Aldeburgh Festival brought musical events of the kind this gathering can still provide. High quality performers and skilfully chosen programmes receive the unique burnish lent by the Maltings to singing and playing of such truth and distinction.

On Thursday John Shirley-Quirk, his sable voice only lightly touched by the passage of time and still commandingly eloquent, and the excellent pianist Kun Wood Paik gave a "Lisztiade" in celebration of the centenary of the composer's death. They included a song-cycle, *Trauer and Trost*, by the faithful Cornelius. As usual with this modest but gifted disciple, it was worth attention. But Liszt songs originally announced were increased by three. Since the extras included one Goethe, one Heine and *Die drei Zigeuner*, only the dull dogs who do not like Liszt could complain, and even they may have been converted. For their third group together the artists chose the mighty trio of Petrarch Sonnets, bringing to them burning urgency and wonderfully refined control for the hushed endings.

On his own Kun Woo Paik played a rewarding group of Liszt's Schubert song transcriptions including "Auf dem Wasser zu singen," in which a troubled lyricism must be (and was) achieved by negotiating waters that run deep but seldom still. Then the triptych *Venezia e Napoli*, which glowed and coruscated, the brilliant surface illuminated from within by ardent Italophilia. In the "Canzone" the distant gondolier from Rossini's *Otello* was allowed by Liszt and by his interpreter to take the centre stage in a way the needs of dramatic pace forces Rossini to deny him in the opera. A memorable recital.

Saturday afternoon brought Finchley Children's Music Group under Ronald Corp in two of Britten's works for and about children. *The Golden Vanity* vaudeville was written for the Vienna Boys' Choir (odd to choose a maritime subject for them). *The Children's Crusade*, a setting of a ballad by Brecht in a singing-translation by Hans Keller, is the more considerable —indeed, with its use of percussion and keyboards to paint in the background to the voices, a background both sharply inventive and perfectly fitted to the dramatic and emotional point, the *Crusade* takes a worthy place among the works of Britten's last decade.

The final concert, in the evening, planned before the recent death of Peter Pears became, sadly, a tribute to the singer. From the original scheme there was salvaged a first performance of a Britten work, a set of Twelve Variations for piano written in student days — more personality in the theme than in the remainder but already precocious ability to write for the instrument.

Murray Perahia played this, the much later *Night Piece* of 1963 and, with the excellent Serenata group, a pellucid reading of Mozart's Piano and Wind Quintet (K452). The programme was framed by John Shirley-Quirk and Steuart Bedford in masterly accounts of Britten's realisation of Purcell's "Let the Dreadful Engines" and the very remarkable *Songs and Proverbs of William Blake*, one of Britten's darkest, subtlest, most probing song-cycles, a noble yet questioning end to the festival, leaving one wondering "what now?"

Hedda Gabler/Bloomsbury

Martin Hoyle

For the first time in living memory, possibly ever, a Norwegian company is presenting a play by Ibsen in London in the original language. The Stavanger-based Rogaland Teater has a lively policy that takes in plays by Ibsen and Shakespeare, *Annie* and *Guys and Dolls*, Williams, Beckett and Miller; and *Top Girls* and *Blood Brothers*.

This cosmopolitan outlook extends to inviting foreign directors to work on Norwegian plays. Thus the visiting *Hedda* is directed by Clare Davidson to designs by Dermot Hayes. An admirably open-minded policy that we, with our insular theatre, should certainly applaud; but the result leaves one still longing for a real Norwegian *Hedda Gabler*—with all respect to artistic director Alf Nordvang's wish to get away from a parochial viewpoint.

The great virtue of the present production is its ensemble playing. In Britain the work is invariably treated as a star turn. Here the natural look, feel and rhythms of Norwegians in their greatest writer brings home yet again how much is lost in translation; and how much a vision of a community, a closely knit society, informs Ibsen's plays.

The designs emphasise this society's stifling claustrophobia. Plush red curtains keep out the light, scarcely revealing much window, even when open. Miss Davidson does little new against this fairly conventional background. Stilted and unimaginative, her production even has actors standing together for lengthy dialogue until one longs for them to form a conga and have done with it. This is unfair on players who are extremely polished technicians and look as if they could fill out the director's sketchy outlines with considerable personality if given a chance.

Marit Gronhaug's red-haired Hedda (the first entrance in red now seems a convention) is attractive, confident and modern. She comfortably and expansively settles on the sofa as if establishing her territory. The production attributes her behaviour to little more than boredom and sexual frustration. She burns Lovborg's manuscript without triumph, as a desperate, unhappy piece of mischief. She is capable of a fishwife yell, as when reprimanded for playing the piano, and understandably frightens Thea with a menacing physical presence.

The character's paradox—potentially the cleverest artist, aesthete or organiser on stage, nauseated by the only role this society allots her creativity—never emerges. The symbolism of killing Lovborg's child goes for little.

Rolf Arly Lund is a dandified, dapper Brack, smiling and monocled, though here as elsewhere in the production I missed the sense of danger. Ole Simensen (Tesman's beard and whiskers coiffed as a tribute to that loyal Ibsenite, Bernard Shaw), Edel Eckblad and Hilda Brenni (touching as Aunt Juliane and the maid Berte respectively) give solid support. Accomplished and intelligent actors, all waiting for a production.

Some Kind of Hero/Young Vic

Michael Coveney

Les Smith's *Some Kind of Hero* at the Young Vic is a powerful plea for racial tolerance. Ironically, black Private James, who has shot his white commanding officer through the head for no apparent reason, has served four stints in Northern Ireland as a soldier detailed to keep "the Paddies" in their place. Under questioning by a lady doctor, he reveals that he "became a nigger" at the age of seven years, as a Birmingham schoolboy during the notorious 1964 General Election campaign in Smethwick.

Treva Etienne's performance as James is full of energy and bounce for as long as he is taunting the vicious sergeant (Ben Roberts) who guards his Belfast military cell while awaiting the court martial. The play cracks and buckles, however, once he starts on a subdued line of confession. There is a superbly smooth and inexpressive performance by Corin Redgrave as a Major offering defence counsel.

Although short (90 minutes) and given without an interval, the piece lacks the intensity of good prison drama and suffers from much implausibility of action. No prisoner would talk to a superior officer the way James does; nor would he drop his trousers to insult the doctor (Barbara Marten).

James is spared 30 years in prison, but he has read his Linton Kwesi Johnson (two poems are recited in the play), and calls for the officials to treat the cause not the symptoms of racism. David Thacker directs efficiently in a depressing cell setting designed by Shelagh Keegan.

Benefit concert at the Festival Hall

A benefit in aid of the Malcolm Sargent Cancer Fund for Children will be held at the Royal Festival Hall in London on Wednesday July 23, starting at 7.30 pm.

The Warsaw National Opera Orchestra will perform Ralph Vaughan-Williams' *Sea Symphony* and Beethoven's Symphony No. 9.

Also participating are the Choral Arts Society of Philadelphia, soloists of the Warsaw National Opera and the Malcolm Sargent Festival Choir.

Salammbô/Paris Opéra

David Murray

Musorgsky read Flaubert's novel *Salammbô* in 1863, and was fired with determination to make an opera of it. He got as far as planning the action and sketching his own libretto in Russian — characteristically borrowing the odd suitable line from this and that Russian poet —and drafted the music for six substantial scenes. Even for those the orchestration was merely begun, and by 1866 the project was abandoned, like many another. But Musorgsky did not abandon the music; instead, he re-cycled it for the operas that he did (more or less) complete later, *Boris Godunov* and *Khovanshchina*, and the fascination of the *Salammbô* fragments lies partly in meeting these musico-dramatic ideas in their first provisional home.

Clearly, Musorgsky conceived his operatic passages in terms of the essential action — for the re-cycling was never a matter of borrowing old tunes for quite different new scenes (something that many a 19th-century composer did with a serene conscience), but of re-planting the original dramatic music in a different time and place, tied to new characters in similar crises. Trying to stage what there is of *Salammbô* is a pious extravagance, for there isn't enough to make an opera — Musorgsky's sketches do not begin to cover the basic plot; but it is an enormously illuminating exercise, and nothing less than stage representation would have such an effect.

One's gratitude for the new Paris *Salammbô*, a reincarnation of the Yuri Lyubimov production, is qualified by two things. One is that the conductor Zoltan Pesko's realisation of the score from the manuscripts has produced a sophisticated orchestral sound which Musorgsky *might* have devised had he persevered with the opera much longer. The other drawback is that Lyubimov has perversely declined to enact the six extant scenes in Musorgsky's literal narrative terms.

Instead, Lyubimov stages it all in formal, semi-abstract terms. David Borovsky's designs have impressionist North African motifs — *Salammbô* takes place in Carthage, just after the First Punic War — that look well, but include a stageful of cabbage-frames, singularly inconvenient: nine decorated flat frames, hinged at their fronts to the stage, that flap up and down incessantly to no evident dramatic purpose. Furthermore, since (rightly) no more of the story is shown than Musorgsky set, Lyubimov frames it in another gratuitous way, with a "Flaubert" musing over his research, a "Musorgsky" trying out bits at the piano and a "Hemingway" as a silent observer who takes flash-photos: pure directorial intrusion.

Still, the torso is a remarkable might-have-been, a notional opera which at its time ought to have made hardly less of a mark than Boris eventually did. Granted Pesko's over-enthusiastic intentions, he captures the dramatic power of the fragments; they haunt the mind after the piece is over — and not only the ones that resurfaced later. And the production boasts two profoundly committed performances at its centre: Dunja Vejzovic's title heroine, a properly tremulous Moon-priestess but richly sung, and Sergei Koptchak's powerful bass baritone as the renegade mercenary Mâtho.

Henze and Knussen/Almeida Festival

David Murray

For its Monday concert the Almeida Festival moved up the road to Union Chapel, the better to accommodate the BBC Singers. They had the lion's share of a long programme, but by current standards the new music they sang was uncommonly mellifluous, and sometimes ethereal. Under the direction of Simon Joly they performed it all with great finesse and lovely choral tone. The choral pieces alternated with others that used only a solo soprano, the excellent Sarah Leonard, with a few instruments, conducted where necessary by composer, Oliver Knussen.

Knussen's unfinished music comes in many forms. This time, his *Fragments from Chiara* (or 1975) was described as "one layer" of a work destined to incorporate harps, orchestra and solo soprano one of these days. Though Hans Werner Henze's *Orpheus Behind the Wire*, a recent choral pendant to his 1971 ballet *Orpheus*, sets bleakly visionary poems by Edward Bond, its aesthetic is no less bejewelled. Two dozen male and female voices are used, often quasi-orchestrally, to conjure up magical depths and contrasts.

Among shorter pieces were Andrew Vores's *Fire Ambo Ghost Songs*, tiny comic hieroglyphs made of a few strokes —voices again cleverly used in odd balances—and the American David Lang's *By Fire*, in which high sopranos describe a nuclear weapon test in a lagoonful of birds while darker male voices declaim an old Chinese text about incendiary warfare.

Miss Leonard repeated her performance of Mark-Anthony Turnage's *Lament for a Hanging Man* (interlocked harp and vibes in poised patterns, jazzy irruptions for saxes, extra percussion for everybody involved), which sounded prettier and less dangerous than it did at the Bath Festival. She also led Richard Felciano's leisurely minimalist dream, "The Angels of Turtle Island," with her voice echoing around the chapel on tape-delay, along with languid instrumental decoration. Peter Maxwell Davies's *Agnus Dei* for two boys' voices, viola and cello was given for the first time, beautifully sung by Adrian Osmond and James Bugden.

Conducting appointments

Isaiah Jackson is to be the new principal conductor of the Royal Ballet at Covent Garden. The American conductor is music director of the Drayton (Ohio) Philharmonic and associate conductor of the Rochester (New York) Philharmonic.

The Royal Liverpool Philharmonic Society has announced the appointment of Libor Pesek as principal conductor and artistic adviser from September 1 1987 for an initial three-year period. He is permanent conductor of the Czech Philharmonic Orchestra, a position which he will hold in conjunction with his appointment in Liverpool.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Theatre

June 20-26

LONDON

The Normal Heart (Albery): Tom "Amadeus" Hulce is playing the crusading hero of Larry Kramer's hysterical melodrama for a three-month season, as public concern over the Aids epidemic increases. (836 3878 credit cards (CC) 379 6565).

La Cage Aux Folles (Palladium): George Hearn a welcome star alongside Denis Quilley in the transvestite show for all the family. Weak second act, less than vintage Jerry Herman score. The show has not travelled well from Broadway. (437 7373 (CC) 734 8961).

Orphans (Apollo): Last chance to catch explosive collision of acting styles between Albert Finney and two of Chicago's Steppenwolf artists in implausible, guilty drama. (437 2663). Until end of June.

Anthony and Cleopatra, The Taming of the Shrew (Haymarket): Vanessa Redgrave as Cleopatra and Katherina leads brave West End presentation and astonishes still with her elemental talent, especially as Cleo. (930 9832 (CC) 240 7200).

NETHERLANDS

Children's theatre at the Krakeling, Amsterdam (Nwe Passeerdersstr. 1). Backa Theatre from Gothenburg with L'Histoire d'un soldat directed by Eva Bergman with music by Stravinsky (Sat, 2 perfs). The Porte Lune company of Paris in A l'Ombre des Géants written and directed by Michel Lopez (Tue to Thur, matinees). (24 51 23).

Amsterdam, Frascati. Théâtre de la Tempête of Paris with Rêves de Kafka directed by Philippe Adrien (Mon, Tue). (23 57 23).

Amsterdam, Sulkerhof Theatre (Prinsengracht 381). The Hall Family presents Old Time Music Hall, with songs to make you sing and jokes to make you weep (Fri, Sat, Thur). (22 75 71).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

I'm Not Rappaport (Booth): In moving to Broadway, Herb Gardner's touching, funny and invigorating play about two oldsters retains its stars, Judd Hirsch and Cleavon Little, who almost conquer the world when they think they are just bickering with each other. (239 6200).

CHICAGO

Orchards (Goodman): Seven American playwrights, including Michael Weller and John Guare, interpret Chekhov short stories for an inspired evening of performances by the Acting Company which made the commissions. Ends June 29. (443 3800)

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

WASHINGTON

The Caine Mutiny Court Martial (Eisenhower): Charlton Heston and Ben Cross star in the military courtroom drama written by Herman Wouk. Ends July 6. Kennedy Center (254 3670).

TOKYO

Buried Child: The Japanese version of Sam Shepard's play, directed by Roger Pulvers, with Goro Naya, Nijiko Kiyokawa. Part of a short season of Sam Shepard plays. Parco Space Part 3, Shibuya. Evening performance daily plus matinees at weekends. (477 5858).

Last Frankenstein, by one of Tokyo's most dynamic avant-garde troupes, Dai San Erotica. Written and directed by Takeshi Kawamura, it contains several typical Japanese elements, not least the plot (scientists pitting their wits to create super human beings in the wake of a world suicide epidemic), and style (fast-paced, quick-change movie action, destructive images, aggression). Untypically, though, the troupe has some serious concerns at the basis of its work. Next year it has been invited to Europe. Suzunari Theatre, near Shimokitazawa Station. Nightly performances, with matinees at weekends. (369 1127).

Saleroom/Antony Thorncroft

Millionaire martyr

One of the most important early English manuscripts to appear on the market for many years, a fragment, four leaves, of the life and death of St Thomas Becket sold for the extraordinary sum of £1,375,000 at Sothebys yesterday; easily a record for any manuscript produced in England.

The buyer remains anonymous but the price was way ahead of a cautious £300,000 top estimate. The manuscript came to light recently on the continent so there is no legal requirement inhibiting its export. Sotheby's believes it went to France in 1538 when King Henry VIII, full of Reformation vigour, banned all "images and pictures, through the hole realme" relating to Becket.

The manuscript is dated to 1230-40 (sixty years after Becket's death) and Sotheby's makes the claim that it was written by Matthew Paris, the great chronicler of the medieval period, at St Albans Abbey. He is known to have included Becket among his biographies of the Saints.

The great attraction of the lot is the drawings which head the text on each side of every page and which give a contemporary view, almost vulgar, of scenes from the saint's life. Although he was a great illustrator, Sotheby's does not attribute the illustrations to Paris.

Old Master prints are currently a strong saleroom market but Christie's had a disappointment yesterday when "The Life of the Virgin" by Durer, an album of 20 prints, was bought in at £28,000. This apart the auction performed according to plan with Slogden, the New York dealer, paying £34,560, around four times the estimate, for a single Durer woodcut impression of "The beast with two horns like a ram."

Other top prices were the £32,400 for "Vedute di Roma" by Piranesi, an album of 116 plates; £21,600 for a single etching by Piranesi of "The aqueduct of Neri" in Rome; and £19,440 from Liebermann, another New York dealer, for "The engraved passion," a set of 16 plates by Durer.

After its success with German Expressionist paintings on Monday night, when an Otto Dix of four prostitutes made £561,600, easily a record for the artist, Christie's continued with lesser Impressionist and Modern pictures yesterday, and brought in £1,884,708 with 24 per cent unsold.

The highest price was the £95,040 paid by a private buyer bidding on the telephone for a typical Utrillo view of Montmarte. He also paid £88,560 for a Renoir still life of apples.

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Telephone: 01-248 8000
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There is no alternative

THE BRITISH Government has long resisted the imposition of sanctions against the apartheid regime in South Africa, on the grounds that sanctions do not work. The time has now come for the UK to recognise that the policies of the Government in Pretoria have finally made sanctions unavoidable. There can, of course, be no certainty as to what sanctions would achieve, but this has ceased to be an adequate pretext for inactivity. There is now no alternative. As a leader of the Commonwealth and a pivotal member of the European Community, the UK should take a positive lead, rather than reluctantly submit to the inexorable.

Nothing will be achieved by sending Sir Geoffrey Howe, the Foreign Secretary, on yet another fact-finding mission to South Africa; the time for fact-finding is over. The Eminent Persons Group was sent for precisely that purpose by the Commonwealth, and after extensive consultations both with the Government of South Africa and with representatives of many other shades of opinion, including Mr Nelson Mandela, the imprisoned leader of the African National Congress, it has delivered its verdict: the Pretoria Government has no present intention of moving towards the dismantling of apartheid and the establishment of a representative and non-racial government.

Fundamental reforms

These objectives were laid down by the Commonwealth Heads of Government last October; they also listed a number of sanctions which would be considered at their forthcoming meeting in August, if the South African Government failed to make adequate progress in meeting the objectives. The EPG does not recommend any particular sanctions, but it argues clearly that some sanctions are now necessary.

"The question in front of heads of government is in our view clear. It is not whether such measures will compel change; it is already the case that their absence, and Pretoria's belief that they need not be feared, defers change. Is the Commonwealth to stand by and allow the cycle of violence to spiral? . . . Such action may offer the last opportunity to avert what could be the worst blood-bath since the Second World War."

No sanctions by the outside world, not even a total blockade, could compel change on the Pretoria Government. In the long run apartheid is doomed, but if the Afrikaner regime is sufficiently determined, it can for some time postpone the inevitable. The outside world must consider two questions: first, whether the pressure of sanctions, coming on top of the internal crisis, has a chance—even a small chance—of persuading the Government to move towards fundamental reforms; second, whether, on the contrary, the withholding of sanctions will, as the EPG argues, encourage Pretoria to postpone the changes that are necessary.

Political pressure

That history does not recommend the efficacy of economic sanctions has been repeated often enough; this consideration was not allowed to stand in the way of sanctions against Argentina at the time of the Falklands war, nor against the Soviet Union over the crackdown in Poland. What distinguishes South Africa right now is that the apartheid regime is in a manifest state of crisis, in which its contradictions have boiled uncontrollably to the surface. No clear-sighted South African can imagine that the system has a long and benign future on the old terms; and it is apparent that some members of the South African Government have been prepared, even if reluctantly, to envisage a rather different future. The purpose of external pressure cannot be to compel change, but to tilt the balance of argument within the white community, however slightly, over the feasibility of their present course of action.

The chances of achieving that purpose must be recognised to be small. But the opponents of sanctions cannot prove that they would have no affect at all. If there is any chance of persuading the whites that they have no future on the present basis—and there is no evidence that they are indifferent to what the rest of the world does—it must be seized. Conversely, a refusal to take sanctions can only encourage the hard-liners in their policy of repression.

The rationale of sanctions is to exert political pressure. This does not imply an attempt to bring South Africa to its knees; it does imply measures which would have a palpable effect on South African interests, and which contain the probability of sustained and increased pressure in the future, until there are clear signs of a change of direction by the Pretoria government. That pressure will be most effective if it is imposed under a mandatory UN programme.

An election that matters

THERE WAS a time when Japanese general elections interested only the Japanese and the Japanophiles. After all, little seemed to change; the same conservative regime has been in place for nearly 40 years, enjoying a comfortable, if not overwhelming, majority and practising generally successful and mostly unchanging policies regardless of who actually was the nominal head of government.

On the surface, the next election on July 6 conforms to type. It is almost inconceivable that the Liberal Democratic Party will fall from office. The country does not sense that it is in, or immediately likely to confront, the sort of crisis that might demand radical change. Even if it did, the opposition parties, either singly or in co-operation, do not seem to offer prescriptive alternatives with wide appeal. The nascent campaign is, indeed, strangely issue-less, as befits a pragmatic nation which only fixes machines when they are broken.

The difference this time has two connected roots; the first is that Japan is coming to realise, however imperfectly, that it is no longer an island, capable of going its own self-contained and mostly commercial way; the second is that not all the gears in the machine, the loose coalition between the LDP, the business community and a powerful bureaucracy, are meshing quite as smoothly as hitherto.

Mixed success

Mr Yasuhiro Nakasone symbolises the difference. He is, as he likes to call himself, "the foreign Prime Minister." in reality more neo-presidential, cutting a swathe in the world outside and with at least some vision of an expanded role for his country, including, but not confined to, greater identification with the western alliance.

He has challenged, while in office, those to whom change comes less easily, though only with mixed success. Some parts of the power structure, the public and private financial sector, for example, have responded to the call, though they would never admit they were doing Mr Nakasone's bidding. But, overall, the progress towards opening up Japan has been patchy.

This is because the resistance is perhaps strongest inside Mr Nakasone's own ruling party, itself more of a coalition of disparate vested interest groups. What makes the election important is that it is the party, not the public, which will decide Mr Nakasone's future. How the LDP does on July 6 will at least be a factor in the process.

Nothing short of a landslide (of, say, 285 seats plus) in the election can ensure Mr Nakasone's continuity in office and this, in the Japanese electoral system, will be difficult to obtain. Even the restoration of a comfortable working parliamentary majority in the 512-seat Lower House will probably not be enough to avoid the back-room power-broking where the LDP likes to settle things.

Consensus men

There, Mr Nakasone will have to take his chances, knowing that policies will matter less than personalities and the balancing of factional interests. If he goes, the leading alternatives —Messrs Takeshita, Abe and Miyazawa—are not men who would undo what he has put in motion. But all, even Mr Miyazawa, the relative liberal, are much more conventional consensus men, prone to caution not initiative; and none has displayed Mr Nakasone's flair for personal rapport with foreign heads of government.

In the circumstances, a good case can be made that it is in the interests of Japan and its friends in the world that Mr Nakasone stay in office. Japan needs clearer and more decisive political leadership and, by dint of performance and the absence of viable alternative voices, the Prime Minister has provided a degree of that critical element. In this assessment, the Japanese public, which rates Mr Nakasone rather highly, seems to have displayed greater perspicacity than the political power-brokers. Unforunately, what the public says on July 6 will not be the end of the story.

EEC TRADE BARRIERS

Progress, but could do better

By Quentin Peel in Brussels

IS THE great drive to complete the European Common Market — the real thing, not just the slogan — by 1992 in danger of running out of steam?

That is the question facing EEC leaders when they meet in the Hague tomorrow to consider a progress report on the ambitious market liberalisation plans they endorsed just one year ago at their summit in Milan.

It is also an issue which concerns the whole gamut of traders, manufacturers, financial institutions and individuals who seek to trade and travel across the frontiers of the Community, but who still run into a maze of red tape and national barriers for their pains.

The creation of a "space without frontiers" was the concept at the heart of last year's exercise to reform and streamline the Treaty of Rome, the legal constitution of the Community.

The European Commission's White Paper on Completing the Internal Market set out a vision of a huge economic zone comparable to that of the US, free from petty trade restrictions, and capable of giving European companies the competitive base to challenge the technological power of both the US and Japan.

It set a timetable of less than six years to accomplish that vision, with more than 300 separate proposals for scrapping barriers, whether physical barriers at frontiers, technical barriers like differing standards for products, or fiscal barriers caused by differing rates of taxation.

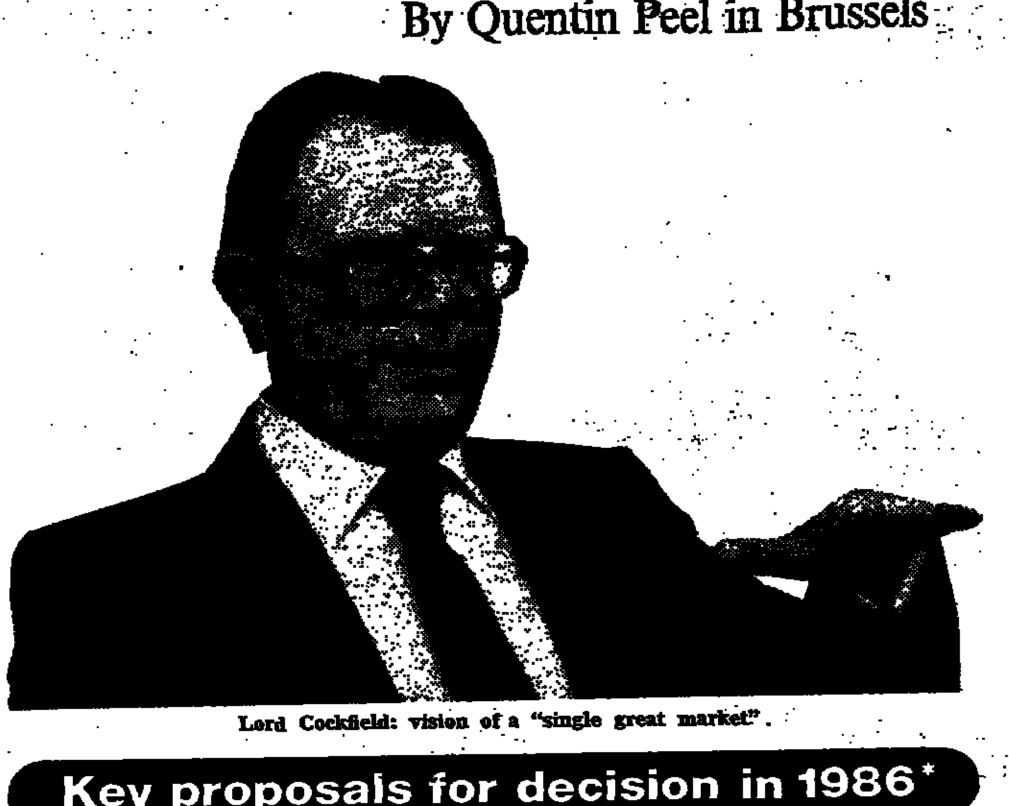
On paper at least, that timetable is far from being followed.

The Council of Ministers, that hydra-headed body of differing departmental Ministers which represents the 12 member states in EEC decision-making, managed to approve only 27 out of 61 proposals supposed to have been agreed in the second half of last year.

That leaves 106 decisions to be made in the course of 1986, if the timetable of the White Paper is to be maintained. The Dutch presidency of the first six months will be lucky to add more than a handful of final decisions by the end of June — leaving the vast majority for the British presidency to wheedle, browbeat or cajole the rest of the 12 into accepting in the second half of the year.

It is a daunting challenge for the British government, possibly the most enthusiastic single supporter of the plan. Lord Cockfield, the senior British Commissioner in Brussels and the man responsible for the White Paper, regards it as "absolutely critical" if the final target of 1992 is to be reached.

Lord Cockfield himself has certainly not run out of steam. He continues to pound the platforms of the Community, spelling out his vision of a "single great market" of 320m people, in his inimitable style of ruthless logic, dry English humour, and droning delivery which surprisingly galvanises his audiences, while enchanting the interpreters with his deliberation and clarity.



Lord Cockfield: vision of a "single great market".

Key proposals for decision in 1986*

Physical barriers	Technical barriers	Fiscal barriers
Abolition of customs presentation charges	Pressure vessel basic standards	Standstill to ensure no widening of VAT differentials
Various plant and animal health checks	Car exhaust emission standards	No introduction of new excise duties creating border formalities
Easing controls at intra-Community borders	Food additives and labelling rules	Deferred payment of VAT on imports
Tax free exemption for travellers	High technology medical products	Harmonisation of duties on alcohol
Maximum levels for pesticides in foods	Safety of toys	Harmonisation of excise on mineral oils
Abolition of transport quota checks at borders	Noise limits for hydraulic diggers	Rules for stores on aircraft, ships, trains
Control of swine vesicular disease	Mutual recognition of higher education diplomas	
	Freedom to provide non-life insurance	

Source: EEC Commission

* Out of 106 draft directives under discussion

He is convinced that much has been achieved, in spite of the sorry tally of statistics.

Some of the decisions look like very small bricks in the total structure of a Common Market, but important agreements have been reached: on the free establishment of architects and pharmacists anywhere in the EEC (the former after 17 years debate, the latter after 16), on the freedom to operate unit trusts and mutual funds across frontiers, on the mutual recognition of type approvals for telecommunications terminals, to name a few.

Yet perhaps more important than any tally of individual directives have been the broad policy initiatives launched by the Commission over the past year, which are intended to accelerate the whole process of completing the Common Market: on industrial standards, professional qualifications, food laws, capital movements and public procurement.

The first, already approved by the Council of Ministers, is the new approach to product standards, which abandons the old idea of harmonising every detail of a particular product, and instead simply tries to set minimum health and safety standards, while allowing differing national standards to apply to the detail.

That should mean a huge simplification of the negotiations between national experts which are the prime cause of delay. Inevitably it is easier said than done.

The first such draft directive, and a key test for the new approach by the Commission, is the proposed common standards for pressure vessels—of all shapes and sizes. It succeeds in reducing the original 50 pages of detail to only five.

The second Commission initiative concerns the mutual recognition of professional qualifications—so that if a professional is qualified in the UK, he or she will automatically be able to practice in, say, Spain or Italy.

A similar approach underlies the Commission's plans for food laws—a particularly sensitive area. Brussels wants food which complies with one member state's requirements to be freely available, provided it meets minimum Community rules on questions such as labelling and additives.

The two latest onslaughts on national barriers to trade concern the free movement of capital—a subject virtually untouched since 1962—and opening up government purchasing policies to EEC-wide competition.

There would appear to be a sufficient consensus among the 12 member states to approve such policy guidelines, in keeping with their general political commitment to make progress on the internal market. Indeed, there is no doubt that the EEC heads of government will reaffirm their general enthusiasm for the subject at this week's summit.

The question is whether that will be translated into faster decision-making. For it is only when the negotiations get down to detail that the real national interests emerge, leaving the process wide open to procrastination and stalling.

On the plus side, removing barriers to internal trade does not cost anything on the EEC budget — another reason for Britain's particular enthusiasm. On the debit side, however, many of the potential barriers are subjects of sensitive, even emotional, national interest.

The sort of barriers identified by the Commission in its White Paper include health and safety standards—where they differ between member states — frontier controls, tax differentials, professional qualifications, prudential requirements on financial institutions, environmental standards, and so on. All can be potentially and very publicly explosive.

More than a third of the directives awaiting approval in the current year concern food laws, animal and plant health. Some would argue that they are scarcely fundamental to the question of improving European competitiveness in the world market, by exploiting the full potential of its own market.

Nonetheless, some major markets are involved — such as the German beer market, or that for pasta in Italy. Bonn is fighting a furious rearguard action to keep it "Reinheitsgebot" (purity law) for beer which keeps that market closed to outside brews containing preservatives.

Food laws are one area of extreme sensitivity, environmental issues are clearly another. The crucial question of the European standards to be set for exhaust fumes from motor cars — requiring massive investment from car manufacturers — has yet to be decided because of the environmental objections of Denmark.

Without agreement, the EEC car market could once more become fragmented, with countries like Denmark and West Germany insisting on high standards which keep other manufacturers, complying with lower national standards, out of their markets.

A third problem concerns transport, where very little progress towards genuine liberalisation has been registered in the near 30 years of EEC existence. There again, national interests appear paramount, in defence of national airlines, road hauliers or indebted national railways.

As Britain and the Netherlands in particular are quick to point out, however, a barrier-free internal market without free-moving transport would be a nonsense.

The other most difficult issue to be resolved is the one probably closest to Lord Cockfield's heart: The need for bringing indirect tax rates broadly into line. Without such a move, he argues, the member states will always insist on keeping tax checks at frontiers—and negate the idea of an internal market being "without frontiers".

Virtually all the national Finance Ministries and Treasuries are fiercely defensive of their national prerogative to raise taxes—as are the national parliaments, with Westminster to the fore. The idea that VAT and excise duty rates would be set in Brussels is anathema.

That debate is only just beginning — and the outcome would be one of the very last actions before 1992, if agreement could be reached. The omens do not look good.

One of the most startling aspects of the internal market debate is the lukewarm attitude of West Germany, one country which on the face of it would have most cause to benefit from scrapping national barriers.

On issues like food laws, environmental concerns, financial services and transport, Bonn is in the camp of the protectionists. France is very often on the other side of the fence, with Britain and the Netherlands.

One theory is that German industry has already learned to cope with the barriers to trade in the Community, whereas others have not—and therefore sees its competitive edge being taken away by a successful move to open up the market.

The other underlying political debate is likely to be between the poorer, peripheral states—like Greece, Ireland and Portugal—and the rich members at the centre which may expect to benefit most from a single market. The former argue fiercely that if they are to approve all these moves to open their markets to competition, they must be compensated in other ways.

That means putting more money into the "structural" funds for regional and social spending schemes, intended to stimulate the growth of the poorest regions and help them catch up with the centre. That comes right up against the Community's perennial budget crisis: most of the available cash is drained off into supporting the Common Agricultural Policy.

There is no direct linkage between progress on the internal market and such social policies, Lord Cockfield insists. "The Commission recognises that there are serious social and regional problems that must be addressed," he says. "But there is no conditionality. It is not a conditionality problem, but a bugetary problem."

In the Community, however, conditionality at least at a political level can never be excluded. So in the end, there may be a real budgetary consequence to completing the Common Market.

Finally, great hopes are held out in Brussels for the effects on speeding up decision-making of the reform package agreed at last year's Luxembourg summit. It is intended to extend the area of majority voting, and make the prolonged search for total unanimity unnecessary.

Nobody really knows how the reforms are going to work in practice. A provision to have two readings with the European Parliament could hold things up. Some fear the provisions have been badly drafted and will prove ambiguous. But they will only come into effect in 1987, in time for the Belgian presidency.

In the meantime, the challenge will be for the chairmanship of the UK to see whether momentum can be restored in the one area closest to British government thinking, and the deadline of 1992 maintained.

Men and Matters

Imperial guard take new posts

The fall-out from Hanson Trust's bitterly contested £2.7bn takeover of Imperial Group in April is now providing rich management pickings for other companies.

Brian Baldock, Imps' managing director of leisure and retailing, as I reported last week, has joined Guinness as an executive director.

Yesterday came news that no fewer than three other Imps men have been appointed to senior posts in other sectors of British industry.

Michael Pickard, Imps' former deputy chief executive and a leading figure in the fight against Hanson, is joining Sears as deputy chief executive; James McKinnon, former finance director, is to be director-general of gas supply, monitoring the activities of British Gas after privatisation; and David Wellings, director of business development at Imperial Foods, is to join Cadbury Schweppes as managing director of Cadbury UK.

The 6ft 5in Pickard, 53, resigned from the Imperial board immediately after the Hanson victory. Though defeated, the battle he had put up greatly impressed another member of the board who resigned that day, deputy chairman, Geoffrey Maitland-Smith, who is also chairman and chief executive of Sears.

"I was tremendously impressed, watching him at work," Maitland-Smith said yesterday. "As indeed, I had been some time before when we were trying to put a deal together with him at Grattan."

Pickard, who had joined Imps in 1981 after building up the Happy Eater chain of fast-food restaurants, now fills a spot at Sears left vacant since Colin Marshall was head-hunted as chief executive of British Airways over two years ago.

Maitland-Smith said that Pickard would now share with him responsibilities for the development strategies for Sears' subsidiaries.

McKinnon, 56, a Scots accountant, who had been finance director of Imperial since 1976 until the Hanson takeover, proved the answer to a four-month search by headhunters Tyzack and Partners on behalf of Energy Secretary, Peter Walker, for a director-general of the proposed Office of Gas Supply.

Walker said yesterday that McKinnon's background was "ideally suited . . . for his duties in safeguarding the interests of gas consumers."

McKinnon, son of a lorry driver and who served as a national serviceman in Korea, will be charged under the Gas Bill with enforcing the formula for gas prices.

Wellings, 45, until recently chairman and chief executive of Imps' Golden Wonder, has also been headhunted—back to Cadbury where he began as a graduate trainee in 1962.

Cadbury Schweppes director, Neville Bain, to whom Wellings will be responsible in the division that accounts for some 40 per cent of the group's profits, said yesterday that Wellings was "an important acquisition."

Wellings move, after eight years at Imps, perhaps more than anything else also reflects continuing unhappiness with the new management style that Hanson has introduced since its takeover.

"I'm training the dog to use a geiger counter

Togetherness

A traditional Indian smoke signal from the top of Toronto's 553-metre CN Tower marked the start this week of a bid by Canadian Indians and Eskimos to join the mainstream of north American business.

The Native Business Summit, a combination of trade show and convention, demonstrates the advances made by Indian and Eskimo business people and the openings which their efforts have created for white capital in native reservations and other remote parts of Canada.

Many Canadian "natives" still rely on hunting, fishing and trapping for their livelihood. But that isn't the whole story. Beneath the colourful headdresses worn by chiefs of 580 Indian bands at the summit are the founders of fast-growing financial institutions, real estate developers, regional airlines and a satellite communications company.

After years of hostility towards outsiders, many native leaders are keen to form joint mining and manufacturing ventures with white-owned companies in an effort to bring down their communities' high unemployment rates. Yamaha of Japan took the lead earlier this year by agreeing to cooperate with the Waskaganish band in northern Quebec to build 500 flat-bottomed fibre glass boats.

Short sentence

Trade union leaders, more used to mounting protests against cuts of all kinds, will today be asked to approve perhaps the unkindest cut of all —in the length of their own speeches.

Norman Willis, TUC general secretary—and never short of a word himself—will put proposals before the TUC General Council to cut the time allowed for movers and seconders of resolutions for debate at the annual autumn Congress.

Those seeking to change the world by moving TUC motions will be asked to do so in future in seven minutes rather than 10; and those seconding them, in five minutes rather than seven.

The TUC says that the move is simply to bring what is nominally allowed into line with actual practice, since standing orders at the Congress invariably get suspended to promote brevity.

Democratic to the last, though, the TUC is not wielding the axe on rank-and-file speakers, humbly debating the motions. Their time limit will stay at five minutes each.

Fare comment

Heard in a City restaurant recently: "Why is it that the only people who know how to run the country are either cutting hair or driving taxis?"

Observer

Brazil's fight against inflation

One goal up, but it's only half time

By Ivo Dawnay

"GOD IS STILL a Brazilian—he's just on holiday in France," tittered the O Globo gossip columnist on Sunday after Brazil's traumatic defeat in the World Cup.

His dejected readers might well suppose that if the Lord is prepared to arrange a French football victory over the mighty yellow and blues, he may soon be offering favours to the Paris Club of international bankers, whose opinion has counted for much in Brazil in recent years.

Brazil is a gangling adolescent of a country—excitable, energetic, vaguely aware of its strength, but somewhat unsure as to what to do with it: hugely optimistic and therefore vulnerable to equally gargantuan disappointment.

When it comes to football, Brazil is convinced it is the best. When it comes to the economy, the constant pressure of a $104bn-odd debt makes it feel a little more insecure.

To contend that defeat in the World Cup presages a similar catastrophe in Brazil's crusade against inflation might seem absurd. But in such a manic, superstitious country, fatalistic parallels are often drawn, and right now the architects of Brazil's radical economic reforms believe that maintaining popular confidence in the programme will be crucial.

Nearly four months after the government of President Jose Sarney launched its Cruzado plan, overnight de-indexing the economy, freezing prices, and creating a new fixed-rate currency, the pundits are touting their half-time analyses. And though broadly the mood remains optimistic, a few Cassandras appear to have found their way into the commentary box.

A superficial glance at the forecasts might beg the question why? A consumer boom is raging, government projections forecast 9.8 per cent growth this year. The export boom continues — up 10 per cent in the last five months of this year—promising a visible trade surplus of about $13bn. Reserves are up. Oil prices and international interest rates down.

Furthermore, the indicators Brazilians prefer are also good. The papers report that waiting lists for flights to Europe stretch until August and trunk and international phone calls are up by about a quarter over year ago levels.

But it is the mood of the general public that the politicians will now be trying to gauge in the wake of the World Cup defeat.

When the Cruzado plan was announced in February, inflation was running at an estimated 500 per cent. Part of the jubilation that greeted it may have been for the across the board 8 per cent pay rise that sugared the de-indexation.

Possibly more important was the feeling that Brazil was at last doing something of its own volition and not just taking orders imposed from outside by the deeply unpopular International Monetary Fund.

Nevertheless the fervour of the popular crusade that gripped the country, fuelled a little perhaps by the sacking by irate customers of several supermarkets that breached the price freeze, surprised everybody. Mr Joao Sayad, the planning minister and co-author of the package, still appears slightly bruised by it all.

"The reaction of the people passed all our greatest expectations," he recalls. "We had expected support, but not this."

Evidence of this upsurge of enthusiasm can be seen everywhere. Stickers in taxis and on street corners declare: "The Cruzado: I believe" and "I am a Sarney price inspector." Daily developments in the national anti-inflation struggle crowd the headlines, even in the more popular press.

But is the atmosphere of rampant optimism now dissipating?

Some sectors of the economy — cars, clothes, meat — are showing dangers of overheating, and there are worries about the public sector deficit. The target for the government's deficit originally fixed at a highly optimistic 0.5 per cent of GDP for this year, has now been raised to 5 per cent—the IMF's original forecast.

However, according to one newspaper report, the most recent government assessment believes it could now touch 8.6 per cent of CZ367bn ($19.29bn) by the year-end.

A shortage of funds for internal investment is also seen as a major problem by industry. In the immediate aftermath of the plan's announcement the public's rush to spend caused an estimated 15 per cent or a CZ46bn reduction in savings accounts (despite their continued indexation) and a surge in the money supply.

Though part of this found its way into the stock market, the private sector still claims it lacks the resources for wholesale investment in new plant, a task previously largely undertaken by central government.

The wage bill has also risen, according to one estimate by some 30 per cent during March, through a combination of the 8 per cent pay rise, adjustments to the wages system under the Cruzado plan and new jobs.

Slightly higher interest rates —now about 20 per cent for blue chip borrowers—have added to the cost of the government deficit. This week, after a period of unusual industrial calm, strikes are threatened by 42,000 state government technicians and teachers in Sao Paulo. And finally, siren voices in FIESP, the powerful Sao Paulo business lobby, are beginning to call for a partial lifting of the prices freeze.

Many economists and bankers now believe that a further rise in interest rates is the key to controlling demand, reducing inflationary pressures and regenerating the battered savings sector. But the government appears to have rejected this, fearing that the consequences would rebound on the heavily indebted state sector that still accounts for more than 50 per cent of GDP.

Instead it is believed to be looking at the possibility of capitalising some of the state sector debts, and so reducing the immediate pressure of interest payments.

For other pundits, control on demand should be combined with an attack on the state companies themselves. Professor Marcos de Albuquerque, head of Sao Paulo's Getulio Vargas business school, believes that a tight squeeze on public sector corporations, cutting costs, jobs and capital programmes is the priority.

In the face of this deluge of advice, the government has chosen to wait and see. As Mr Sayad puts it: "We have submitted the economy to a big operation, it is time to let the patient heal and adapt slowly—a period for observation."

The planning minister and his finance minister colleague, Mr Dilson Funaro, believe that much of the surge in demand is played out. Unpublished government figures suggest that the savings sector is beginning to recover. Mr Funaro also argues that economies of scale and greater efficiency should play through in lower prices. In theory, he argues, this should leave the frozen price levels at a purely notional ceiling and not as a lid on inflationary pressures.

Privatisation, at least on a large scale, is also not favoured. "Why go into the mess of transfers to the private sector when its management should be busy generating growth?" says Mr Sayad.

For the meantime, then, government policy is largely a matter of holding steadily to the present course — not least because any major change before the crucial congressional and state elections in November might be interpreted as lack of resolve, thereby undermining the public's faith.

"It is a question of mentality," says Mr Funaro. "You have to give society time to get used to the idea of value."

At the moment, post-World Cup Brazil is trying to get used to the idea of defeat on the football field — and finding it difficult. Nevertheless, even the illiterate urban poor appear aware that for the country's economy, the really big match is to win back the confidence of a sceptical international financial community—the commercial banks and the Paris club.

Popular demonology has it that their trainer and strategist is none other than the International Monetary Fund. And it is still only half-time.

"Well, where were we?" say, from left, Joao Sayad, Jose Sarney, and Dilson Funaro in O Globo's cartoon after Brazil's World Cup defeat

UNEMPLOYMENT

The case for a four-day week

By Michael Prowse

MANY BRITISH economists are instinctively suspicious of job-sharing even as a palliative, let alone as a cure, for high unemployment. To talk of ways of redistributing a given number of hours of work, they argue, is to miss the point entirely—to commit the "lump of labour" fallacy.

The way to reduce unemployment, they say, is not to spread existing hours of work more thinly but to increase the number demanded. Recipes for this depend on the palates of individual economists but the main course is usually either wage moderation or macro-economic steps to boost aggregate demand.

Some economists would go further, arguing that work-sharing is not merely ineffectual as a cure for unemployment but actually inimical to job creation. One fear is that shorter hours could result simply in reduced plant utilisation and output, with no effect on employment. Another is that they would result in higher wage costs: either because workers would demand higher pay to protect their disposable incomes or because the fixed costs of hiring and training would be more burdensome because they would be spread over fewer hours. Higher effective wage costs would shrink still further the number of hours of labour required.

These pitfalls need to be taken seriously but, as Professor Jacques Drèze shows in a pamphlet for the Centre for European Policy Studies, they do not outweigh the many arguments in favour of some form of work-sharing.

Prof Drèze starts by facing up to reality: for whatever reason, the number of hours of regular work demanded in Europe now falls far short of the willing supply—in other words, the supply of regular jobs falls far short of the demand. Moreover, there is no short-run prospect of a significant change in the balance. Neither wage moderation nor macroeconomic stimulation can be relied upon quickly to restore equilibrium.

Governments therefore face a choice. Pending the success of policies aimed at increasing the overall demand for labour, they can either sit back and maintain that the present distribution of work between the employed and unemployed is about right or take steps to change it in ways which do not raise labour costs.

Prof Drèze suggests a thought-experiment designed to convince sceptics that some redistribution is necessary. Suppose the British economy were operated on co-operative instead of semi-competitive principles—suppose it were one huge family business or giant kibbutz. How would it respond to a chronic shortfall in hours of labour demanded?

The answer is that it would almost certainly introduce forms of work-sharing. These would be seen as a natural and quite inevitable response. Older members of the kibbutz, for example, knowing that their active working life was anyway drawing to a close, would be unwilling to see large numbers of youngsters left idle for prolonged periods: under co-operative economic arrangements, the 25 per cent plus rates of youth unemployment experienced in the UK, France and Italy would simply not be permitted. Older members of the kibbutz would not be acting out of altruism alone: they would realise that the community's long-term prospects would be impaired if the young were left to rot.

Job-sharing is much easier in a co-operative atmosphere, of course, because the link between living standards and individual work effort is much looser than in a competitive economy. Work can be allocated on grounds of "need" — as measured in psychological rather than material terms. In making way for the young, the old would not necessarily be making a material sacrifice.

Even in market economies, however, the scope for job transfers between older and younger workers — the form of work-sharing most favoured by Prof Drèze — may be greater than is commonly supposed. He argues that the value an individual places on a regular job tends to fall with age. This is partly because full-time work is a means towards various ends (such as security in old age or the establishment of a family home) which older workers have either achieved or are much closer to achieving than the young.

There may thus be room for efficient "arbitrage" — trading of jobs mediated by the state. In many cases, suggests Prof Drèze, a small "bribe" may be sufficient to persuade an older worker to give up his or her job. If the bribe falls short of the cost of maintaining a young person in idleness, a net gain in welfare (the value of the job to the new employee) can be achieved at no net cost.

It is possible, however, that a much more extreme form of work-sharing would be desirable. The near-absolute rigidity of hours of work in regular jobs (40 or so hours a week, 48 or so weeks a year) is almost certainly highly inefficient. Even if a 40-hour week suits the median worker, it is too long for 50 per cent of employees. In any case, the disutility, or unpleasantness, of work must increase quite sharply with the number of hours worked. A distribution of existing hours of regular employment over more workers would yield two sorts of benefit: more people would gain the security of a regular job and on average each hour worked would cause less displeasure.

But how can such a redistribution be achieved without raising average wage costs? The answer, as Prof Drèze points out, is to cut the link between the period of business activity and individual working hours. A six-day business week, which would allow a more efficient utilisation of plant and capital, could be combined with a four-day working week, which could improve overall welfare by spreading employment more fairly. The severing of the link would require co-ordination by the state. By adopting this policy, European governments would be merely anticipating the fall in working hours which looks certain on the basis of past trends. The main beneficiaries would be the young unemployed.

Letters to the Editor

Thought police at work

From Mr R. Turner

Sir,—I see that a British nationalised company is now to employ the thought police in its recruitment apparatus. According to your report on June 20 Austin Rover is to introduce a recruitment process which seeks to discover the "attitudes" of the potential workers towards the company, as a means of ensuring that their aspirations are the same as those of the company, and even to include the potential workers' families in this process. The latter is an especially unreasonable transgression of personal freedom.

This initiative is presumably at the instigation of Graham Day, the new chairman. It is an extension, taken to an extreme form, of the policies introduced by Sir Michael Edwardes, a past chairman, who started this sort of thing by "purging" the car company of trade unionists such as Derek Robinson. But it is a policy which is beyond the bounds of reasonability; as well as being a deleterious diversion from the real road to industrial success. It is a gross intrusion on personal freedom, and threatens the very fundamental freedom of the right to hold—and to be open about—political views. For, presumably, a Marxist recruit would not be acceptable in the new Austin Rover regime. And Marxists, like everybody else, have to earn a living. They should not be prevented from earning a livelihood by a thought police strategy. To sell one's labour should not entail, in a kind of Faustian bargain, selling one's soul.

The thought police strategy is, of course, another variation of the "blame the workers for everything" syndrome. And moreover, by focusing on this aspect of the management of its operations, Austin Rover is diverting attention from other major problems that have dogged this many-named company for a good number of years: unappealing designs; a lack of investment; a model range that competes against itself; an absence of dealerships in important foreign markets.

And so we now have our sole British-owned car manufacturer not only importing Japanese designs, parts and technology and branding the resulting cars as "Rovers"; but also trying to transplant one element of Japanese culture—the compliant, company-orientated, loyal workforce. It is a misguided strategy. The Japanese culture idea is inapplicable to the needs of British industry. It will not work here, simply because we are not Japanese. We have a different history; a totally different and deeply embedded culture; different ways of communicating; different methods of operating.

These who think that industrial success will be aided by the attempted transplanting of one element from a successful foreign company, while the rest of the social *milieu* remains immutable, are gripped by a peculiarly excessive form of self-delusion.

Royce Logan Turner.
Department of Politics,
University of Warwick,
Coventry.

Intellectual property

From Mr I. Baillie.

Sir,—There has recently been criticism of the House of Lords for its tendency to legislate rather than define the law. In intellectual property the problem with the recent decisions of the House of Lords is not the correctness of their interpretation of the statute as written but the *obiter dicta* on the philosophy which should underlie the protection. Unfortunately, the House has no practical experience of the needs of industry and commerce in Britain. In British Leyland, the House although upholding the copyright law, created a brand new and questionable concept namely the freedom to use personal property. More importantly various assertions were made that "copyright" should be confined to "artistic" concepts. In fact the common law countries have long abandoned limiting copyright to the arts and the approach of the House of Lords could have startling results for example in the literary field where the concept of protection for "functional" works e.g. computers is well understood.

The developing modern concept of copyright is that it provides protection for the expression of intellectual effort against copying i.e. plagiarism whether or not that intellectual effort is in the arts or commerce and industry.

Now in the Coca-Cola case the House of Lords probably properly defined the extent of protection of the present trade mark statute and its definition of a "mark" but promptly made assertions as to the propriety of protection for a container shape as distinctive of the goods of the proprietor. Lord Templeman commented on "the spectre of a total and perpetual monopoly in containers" and stated a rival manufacturer must be free to use a container of distinctive shape. This somewhat startling proposition runs completely contrary to a developing tendency in passing-off actions. The Haig Company would be somewhat distressed to learn that their "Dimple" whisky bottle is not "distinctive" (Haig v. Forth Blending). More importantly the decision ignores the developing trend for the protection of "trade dress" including containers as evidenced by countries as diverse as France, Italy, Germany, South Africa, Canada and the US.

Unfortunately, there appears to be no realisation that the expression "trade mark" now does not mean a mark signifying a producer or distributor but signifies a feature of a product or service which the "public" have come to consider as sufficiently distinctive that they will rely upon it in purchasing or utilising goods and services.

Iain C. Baillie,
20 Chester Street, SW1.

Impact of monopolies

From Mr A. West

Sir,—Like everyone else Michael Prowse (June 11) is concerned about the national effect of monopolies. Is no one bothered about the impact of local monopolies on local economies?

When Dee Corporation acquired International it gained control over both the supermarkets on Alton High Street. The local Chamber of Commerce expressed anxiety about the future of the International store taking the view that both supermarkets were essential to the survival of specialist shops by attracting custom to the High Street. Dee subsequently gave reassurance that there was no threat to the future of the International. That decision was understandable since the site would, of course, be attractive to competition like QuikSave.

But what has happened to the consumer? The diversity of product range available when two separate organisations owned the two supermarkets is disappearing as the Gateway and the International begin to sell identical goods. As one who favoured the International range I began to shop at Bordon at the Finefare a few miles away—now also gobbled up by Dee. If Dixons bid for Woolworth succeeds there will be another high street monopoly in Alton.

Throughout the country high streets are in decline. Is this purely a factor of changes in shopping habits or is it because of the impact of diverse monopolies on competition as in the case of Alton?

Alan West.
Hawthorn Cottage,
Upper Farringdon,
Alton, Hants.

Free to trade

From Mr D. O'Shea.

Sir,—Max Wilkinson, in his article on British Gas (June 19) concluded that if the company were seen as a solid, safe and fairly boring stock in a little changed competitive environment, there might be a question: "Why did they bother to privatise it at all?"

The answer to this is fundamental and it is nothing to do with the terms of the offer or the immediate commercial outlook for any of the businesses involved in privatisation. It is the separation of ownership from regulation. Theoretically, the Government ought to have a broad view of the nation's interests, and have a logical framework of law and regulation to "hold the ring" for the major protagonists in transport, communications, energy, etc. One way of tackling this is for the state to own the lot. It has been tried. It does not work—or rather, it works by creating enormously inefficient operations somewhere along the line.

The first step out of the impasse of this situation is for the state to divest itself of ownership. Some of the immediate commercial effects may be undesirable, tainted as they are by the inherited problem of 40 years of Whitehall. There may not be enough competition, etc, but it is essential that the Government should be able to step back from ownership so that proper national policies can be evolved. That, of course, is a hope which brings a horse laugh from many quarters. But at least we can try: it has not been attempted in our generation.

Daniel O'Shea,
93, Palewell Park, SW14.

Channel tunnel finance

From Mr A. Dalgleish

Sir,—"Lex" writing (June 23) on finance for the Channel tunnel ignores, as do most other commentators, the fundamental question: will people be prepared to traverse a long, dark, very noisy tunnel? I have yet to meet anyone who says that he or she would travel that way when going on holiday, most express horror at the very idea.

The sea crossing provides a welcome break in a long journey. On my last trip from Calais to Dover in a party of four we had just time for a relaxed rubber of bridge.

Angus Dalgleish.
Shouson Hill,
Ruxbury Road,
Chertsey, Surrey.

FINANCIAL TIMES

Wednesday June 25 1986

Paris expects economy to grow by 3%

By David Housego in Paris

THE FRENCH Government yesterday painted an optimistic economic picture, forecasting real growth of 3 per cent next year.

The forecast is based on a continuing high level of consumer demand this year and next – virtually bringing to an end the squeeze on household purchasing power which dates from the austerity measures of 1983.

The accelerating pace of growth also reflects, however, a steady increase in productive investment and a sharp rise in exports in 1987 – foreseen as growing by 5.4 per cent in real terms against 1.7 per cent this year.

The Government's forecasts, which will be incorporated into the budget estimates for 1987, were presented yesterday to French forecasting institutes as part of the preparatory work for next year's budget. With an estimated growth in gross national product of 3 per cent in 1987 after 2.5 per cent this year and 1.1 per cent in 1985, the Government expects a sharper increase in economic activity than do the private forecasting institutes.

Some of the non-government economists at the meeting expressed concern that the Government was allowing the windfall gains of falling oil prices to be lost in excessive consumer imports and expenditure.

The warnings coincide with an explosion of consumer demand in April (up 11.5 per cent on a year ago) in part as a result of purchases of foreign-made television sets and video cassette recorders before the World Cup.

Imports will rise next year by 5.3 per cent, according to the Government's figures, after increases of 4.7 per cent in 1986 and 2.9 per cent last year.

The size of the boost to consumer demand will largely depend on the Government's eventual decisions on reducing personal income tax and on financing the growing deficit in the social security fund.

The Government's forecasts implicitly assume a continuing clamp on wage increases with the year-on-year inflation rate falling from 2.3 per cent at the end of this year to 1.7 per cent at the end of 1987.

The Government foresees a sharp expansion of exports next year

Beghin Say builds war chest for sugar bid

BY DAVID MARSH IN PARIS AND CHARLES BATCHELOR IN LONDON

BEGHIN SAY, the French sugar and paper company controlled by Ferruzzi, the Italian agri-business conglomerate, yesterday announced a FFr 502m ($70m) non-voting share issue designed in part to back Ferruzzi's efforts to take over British Sugar, the processor which controls 55 per cent of the UK market.

Mr Jean-Marc Vernes, the chairman of Beghin Say, said his company intended to participate with Ferruzzi in any bid.

The entry of Ferruzzi's French partner – in which the Ravenna-based company owns 49.5 per cent and has a majority of voting rights – effectively widens the battle for British Sugar.

Ferruzzi took a 9 per cent stake in British Sugar's parent company, S & W Berisford, in March but appeared to have given up its ambition of acquiring British Sugar when it pledged its shares to a £486m ($730m) takeover bid launched by Hillsdown Holdings, the UK foods group, in April.

Hillsdown withdrew from the bidding in May following the referral of its bid, and of a rival conditional offer from Tate & Lyle, the UK sugar refiner, to Britain's Monopolies and Mergers Commission. Ferruzzi then bought Hillsdown's 14.7 per cent holding, taking its total stake to 23.7 per cent and signalling its renewed interest in making a bid.

S & W Berisford was unavailable for comment yesterday but Ferruzzi announced that Mr Raul Gardini, group president, would outline his plans for British Sugar in London tomorrow.

Beghin Say officials said yesterday that the move increased the financial ammunition at Ferruzzi's disposal.

Associating the largest company in the French sugar industry also underlined Mr Gardini's intention to launch a global move to reorganise the European sugar sector rather than simply an Italian bid for a British company, the officials said.

Mr Vernes said Beghin Say could participate in Ferruzzi's move to control British Sugar either by taking a direct participation in Berisford or by taking an indirect stake through a holding company.

Beghin Say has indicated it could put up between FFr 600m and FFr 1bn towards the British Sugar acquisition, compared with a total value of the deal which Mr Vernes yesterday estimated at FFr 4bn.

Mr Vernes said that the FFr 502m share issue, to be made through an issue of *certificats d'investissement* (CIs), would be used for a general strengthening of the company's cash resources, indicating it would not be channelled totally towards the British Sugar deal. Beghin Say is also planning increased investments above all in the hygiene and domestic paper area.

Depending on the need for cash associated with the British Sugar bid, Beghin Say is also considering the idea of another fund-raising exercise in coming months through a standard rights issue.

Mr Vernes said Beghin Say expected to boost group net profits to above FFr 200m this year from only FFr 31m in 1985.

Soviets propose separate talks to seek ban on space weapons

BY WILLIAM DULLFORCE IN GENEVA

MOSCOW has offered to negotiate separate agreements banning the production of space weapons aimed at satellites or at targets on Earth. The offer was included in the new Soviet proposals introduced earlier this month at the US-Soviet nuclear arms control talks in Geneva.

The latest Soviet initiative on space weapons was disclosed by Mr Vladimir Petrovsky, the Deputy Foreign Minister, when answering journalists' questions after a speech to the United Nations conference on disarmament.

The proposals open the way for partial or intermediate steps towards nuclear disarmament less radical than the original Soviet programme, which called for a halt to the development of all space strike weapons and a 50 per cent reduction in strategic nuclear missiles, Mr Petrovsky said.

Strategic weapons would be limited to 8,000 "nuclear charges" on each side as a first step. Space weapons would be divided into three categories:

- Defensive weapons for intercepting and destroying enemy missiles such as those planned in President Ronald Reagan's Strategic Defence Initiative (Star Wars)
- Offensive weapons intended to destroy enemy satellites
- Offensive space-to-Earth weapons which, if developed, could add a new dimension to the threat of nuclear war by making military and civil targets on Earth vulnerable to attacks from space.

The Soviets want agreement on defensive space weapons to be linked with the extension of the current anti-ballistic-missile (ABM) treaty for at least 15 years.

No restriction would be placed on basic research into such weapons, but laboratory research would not go beyond the "threshold" already reached in the US, and the building of prototype weapons would be banned.

Agreements to liquidate existing anti-satellite weapons and prohibit the development of new ones and to ban space-to-Earth weapons could be negotiated separately as partial steps towards a comprehensive accord on space weaponry, Mr Petrovsky said.

The new Soviet offer on space weapons represents a retreat from the opening demand in the Geneva talks which made agreements limiting strategic and medium-range nuclear missiles conditional on President Reagan abandoning his Star Wars programme.

By splitting space weapons into defensive and offensive categories, however, it offers the US a way of responding to Soviet charges that the SDI would inevitably lead to the deploying of offensive nuclear weapons in space.

President Reagan said last week that the latest Soviet proposals could represent "a turning point," but Mr Petrovsky complained yesterday that the Geneva arms talks were still "a one-way street": the US had not yet responded at the negotiating table, he said.

The current round in Geneva is due to end tomorrow.

The Soviet Union is giving top priority to the conclusion of a nuclear test ban treaty, Mr Petrovsky said in his speech to the UN disarmament conference. He later instanced progress towards a ban as the kind of "substantive" reaction from Washington which Moscow would look for before a new summit meeting between President Reagan and Mr Mikhail Gorbachev, the Soviet leader.

Reagan optimistic on summit prospects, Page 4

Stockholm in move to ease exchange controls

By Kevin Done in Stockholm

THE RIKSBANK, the Swedish central bank, yesterday took a first important step towards liberalising the country's sweeping foreign exchange controls.

With immediate effect it has abolished the demand – in force since 1974 – that Swedish corporations making direct investments abroad should finance such investments through foreign currency loans taken over at least five years.

Having taken far-reaching steps to deregulate domestic financial markets during the last couple of years, the Riksbank announced in April plans for a gradual relaxation of *foreign exchange regulations*, some of which have been in force since 1939.

Yesterday's move goes a long way towards meeting one of Swedish industry's main demands for a liberalisation of exchange controls, but the Riksbank stopped short of freeing foreign loans taken by the corporate sector to finance earlier investments. The existing loan stock must be paid off according to the original schedule.

The Riksbank had previously discussed a more cautious, staged removal of the foreign investment rule, but yesterday it decided to remove the control in one step.

Mr Anders Sahlen, a director of the Riksbank, said last night: "This is a substantial move. Industry has complained for many years that it has been forced to take an extra currency risk and has been forced to add to its liquidity. This has been a burden."

Swedish direct investments abroad have recently totalled around SKr 20bn ($2.75m) a year, of which about two-thirds had to be financed abroad. The only exemptions were small investments under SKr 10m or those made in other Nordic countries or in underdeveloped countries.

Booming profits in the last three years have helped boost the liquid assets of the corporate sector to more than SKr 150bn, but the country's foreign exchange regulations have largely trapped these funds in Sweden.

At the same time, the corporate sector has built up a stock of around SKr 120bn in long-term and medium-term foreign debt as it has been forced to borrow abroad to finance foreign investments.

The Riksbank estimates that abolition of the control could now lead to a capital outflow of around SKr 7bn a year.

The decision to allow a gradual easing of the exchange controls has stemmed from the gradual improvement in the performance of the Swedish economy in the last few years. In two of the last three years, the current account of the budget deficit has been significantly reduced.

In addition, capital inflows to Sweden so far this year have totalled close to SKr 14bn, and it is only the central bank's wish to continue to curb domestic demand that is holding Swedish interest rates at levels still appreciable above international rates.

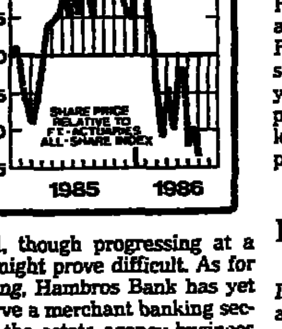
THE LEX COLUMN

Lost in the Highlands

The aftermath of a failed bid is not something that shareholders want to contemplate too often. Even the modest £6m that Dawson International had to pay for its unsuccessful involvement with Coats Patons still feels like £6m too much – hence the lawsuit against Coats. The £34.1m that Argyll is now charging below the line is the awesome price of its attempt to take Distillers, but in this case there is no appeal.

It seemed a good idea at the time, certainly, but touched with hubris: *the only tangible result of the bid* was for Argyll to throw away more than a quarter of its equity and finish the year paying an increased dividend partly from reserves. The *fact that this extravaganza is not* repeatable – not even by the ambitious Argyll management – is one reason why the shares have held up reasonably well, since the bid, and stood unchanged yesterday at 318p.

Underlying progress in Argyll's UK food retailing business remains impressive; pre-tax profits for the year to March were 22 per cent higher at £64.6m, and there is every reason to think that double figure growth in earnings can be maintained despite Argyll's higher tax rate. Given the promised absence of equity issues, shareholders can at least expect to see the full benefit of Argyll's improving store formats, distribution network and product mix – mainly more own-label – over the next couple of years. The goal of a 4 per cent net margin appears to be within reach, though the schedule for achieving it is tight; to improve net margins by a fifth this year may be something of a stretch.



Hambros

There is no denying that Hambros has done well to produce pre-tax profits for the year to March of £43.4m, up from £27.3m and just above the forecast made with the offer for Hambro Trust. But that was not enough to get the shares moving again, and they fell 2p yesterday to 233p. Holders of 12½m of the 19m shares issued to buy the Trust took the cash offer of 260p and many of those shares must still be with the underwriters, putting a stop on the price.

All that would be left in the past if investors could be persuaded that Hambros' future is bright or that somebody was going to buy it. The group's strategy seems based on having so many legs that stability is ensured, though progressing at a gallop might prove difficult. As for *the rating*, Hambros Bank has yet to deserve a merchant banking sector p/e, the estate agency business is still new and must prove its worth, while no one can argue that stockbroking profits are high quality. At least investment gains of £8.2m appear repeatable at a similar level for a few years. Dilution will check the rise in earnings per share this year and it will take time for the shares to recover.

Racal

Racal had said it would fall £45m short on its US data communications business, and so it did. Thus dazzled by a return to accurate forecasting from Racal, the market market *the shares up by 6p to £2.* Or perhaps the scotching of the £200m rights issue rumour that swept response to such unimpressive fulleyar profits. For, at £90m *pre-tax, teh outcome is at the bot*tom end of the narrow range of well-informed outside forecasts.

Even this was achieved only by shoving items such as the closure of capacity at continuing businesses below the line, while taking the sale of the entire oil and gas business above the line, as an £8.5m profit. Had that item been deemed extraordinary, then Racal would have been required to lift the previous year's stated profits by the amount of the written of exploration costs. Taking out the oil trading gain and annualising the previous year's contribution form Chubb, then instead of profits dropping from £132m to £90m, £741m plays £82m.

But as far as the City is concerned, history is junk, audited or not. The Racal tale is now all about bouncing into the future, whether it be by cost-cutting in US data communications or by the reduction of start-up losses in the UK cellular radio business. The first part of the equation seems less guaranteed since, as Racal shareholders have already learnt the hard way, the US datacoms business can be relied on only to be volatile. In cellular radio Racal has only BT to compete against, which is much more fun. Racal with new added bounce should make at least £130m this yar, putting the shares on a multiple of about 14 – a rating which allows for no further unpleasant surprises.

Bowater Industries

Whatever the merits of Bowater *Industries' push towards packaging* and builders merchants, the rearrangement of the UK and Australian joint ventures with Scott Paper seems sensible. The shares gained *7p to 337p once* the news was digested. Bowater is extracting itself from a capital intensive business in the UK, exposed to the vagaries of the pulp cycle, at a reasonable price while taking the whole of the Australian business which is more self-sufficient in pulp. Scott, on the other hand, is a step closer to achieving its ambition of wiping noses, hands, bottoms, and anything else that feels moist, throughout Europe.

The net £41.75m Bowater is receiving, and the removal of Bowa*ter-Scott's heavy debt from its* balance sheet, brings gearing down to a more than comfortable level. After paying for three acquisitions already made this year, Bowater can *afford a couple more.* Two years after the demerger, Bowater still has to prove itself. And Hanson Trust's stake provides an incentive.

Dixons/Woolworth

Undecided holders of Woolworth shares will have felt a twinge of anxiety yesterday as their shares fell 20p to 745p. Non-buying by a bidder is a weapon that has to be used with discretion, but letting the shares fall so far below the offer may be a way to make vacillating fund managers think harder about their options over the next week. The market could also be shaken up by the introduction of a traded Dixons option on Thursday: the new Dixons put option is a weapon that the defenders of Woolworth will surely be thinking about with some interest.

Nigerian currency plan

Continued from Page 1

try's debt is conditional on agreement with the IMF about a recovery programme. Such an agreement could also entitle Nigeria to an IMF loan of up to $1.5bn, and support from the World Bank worth up to $1bn for a structural adjustment programme.

A major obstacle to agreement, however, has been the Fund's insistence on a substantial devaluation of the naira. There has also been considerable domestic opposition to the IMF, based in part on the belief that an IMF loan would be misspent, and doubts that an IMF programme for economic recovery would fare any better in Nigeria than elsewhere in Africa, where the Fund has yet to achieve a clear success, according to its Nigerian critics.

The implementation of the two tier system, which is being preceded by a steady downward float of the naira, will provide a *de facto* devaluation, bankers say. At the same time, the Government is expected to stress that the country's recovery programme is the product of its own analysis rather than a response to IMF demands. It remains unclear whether the Government will draw on an IMF loan, or simply seek the Fund's "imprimatur" to present to creditors.

Under the two-tier exchange rate system, the central bank will "auction" the available hard currency each week at a rate determined by bidders. This second tier rate is likely to reflect the current black market exchange of three to four times the official rate.

The World Bank has agreed in principle to provide $100m in the last quarter of 1986 and $300m in 1987. The Government itself will release foreign exchange at a rate of $50m per week for the quarter, and a total of $3bn in 1987.

Debt service, government imports and medical supplies, will operate on the first tier at the official rate. All other transactions will be conducted at the second tier rate. "The policy is to merge the two tiers within one year", Dr. Chu Okongwu, the Minister of Finance, told bankers at the New York meeting this month.

"The adoption of a realistic exchange rate policy is seen as a major step that will eliminate bureaucratic controls on foreign exchange and trade", he said. The naira has been allowed to fall steadily over the past six months.

The minister also outlined a wide-ranging structural adjustment programme which included a reduction in the state's role

Britain extends ban as N-fears hit lamb sales

BY MARK MEREDITH IN EDINBURGH AND STEFAN WAGSTYL IN LONDON

BRITAIN yesterday extended its ban on the movement and slaughter of sheep, imposed in areas affected by radioactive fall-out from the Chernobyl nuclear disaster, to parts of Scotland.

The three-week order, which follows similar restrictions imposed last week in North Wales, north-west England and the Isle of Man, was announced as the full extent of the economic and political impact of the bans began to emerge.

Meat traders reported plunging sales and prices for British lamb, with sales in some parts of England down 50 per cent, just as the season for home-produced meat reaches its peak. In the House of Commons ministers ran into fierce opposition criticism over their handling of the affair.

The latest ban affects all 1.3m sheep in Dumfries and Galloway, and the Isle of Arran in South-West Scotland; in the Highlands and Easter Ross. It takes to about 3.7m the total number of sheep which are now being kept from the market – more than 10 per cent of the UK flock.

The controlled areas were hit by heavy rain on May 2 and 3 when a cloud of radioactive dust from the burning Chernobyl reactor was passing over the UK, according to the Ministry of Agriculture.

Scottish Office officials said that while they had been monitoring lamb coming to market for the past four weeks, the first tests on Scottish farms were not made until last Friday.

Five lambs out of 37 tested had radioactivity levels of above 1,000 becquerels a kilogram – the Government's action level, which is well below an internationally-recognised 10,000 bq/kg safety level. Becquerels measure the level of radioactivity in biological tissue.

Officials said they had not tested lambs on Scottish farms earlier because they were waiting for the results from England and Wales, where the animals mature and reach the market sooner.

Announcing the ban in the House of Commons, Mr Malcolm Rifkind, the Scottish Secretary, repeated earlier ministerial assurances that it was perfectly safe for shoppers to continue buying lamb.

Meanwhile, the Meat and Livestock Commission reported that prices for British lamb fell another 10p yesterday to 144p a kilo, after dropping 26p on Monday. The commission believes prices this week could average 145p a kilo – compared with previous expectations of prices of some 165p to 170p.

The commission said that lamb sales by farmers in England and Wales were down 5 per cent in the first two days of this week, when an increase of 10 or 20 per cent might have been expected

S. African bomb blasts

Continued from Page 1

the early and complete elimination of apartheid. She expressed grave concern at the continuing violence and repression in South Africa including yesterday's bomb attacks.

[For his part, Mr Tambo described the meeting as very useful, writes Robert Mauthner. He had not got the impression, however, that Mrs Margaret Thatcher's opposition to sanctions was weakening or that the meeting was an indication that Britain had now officially recognised the ANC.

Mrs Chalker had set out the British Government's concern about violence in South Africa, Mr Tambo said. But he had pointed out that the source of all the violence in the country was apartheid itself. The only way to end violence in South Africa was to abolish that violent system.

Mr Tambo said that he and Mrs Chalker had spoken about the effect that sanctions could have on apartheid.

Mexican warning to creditors

Continued from Page 1

lined plans to give a controlled stimulus to demand in order to protect jobs, real wages, private investment and agricultural production. This was not, they emphasised, an expansionist strategy, and it did not imply a relaxation of fiscal discipline, which, exclusive of interest payments, had in the past three years produced budget surpluses for the first time in Mexican history.

Mr Salinas said the Government would shortly publish a list of public sector companies considered "strategic" under Mexico's constitution, or "priority" under the administration's development plans, and which would never be privatised.

The other public sector companies would be offered for sale, merged, liquidated, or transferred to local government.

As part of the "controlled recovery" plan, the Government would also be launching new savings instruments and revising tax policy in order to liberate credit for new investment, Mr Petricioli said. It was "indispensable" that domestic interest rates, currently at all-time highs, came down, he added, although he did not explain how this would be done.

The news conference, intended solely for Mexican newspapers, was about form as much as content, with both men insisting that the Government was now working as a team "under the direction of President Miguel de la Madrid."

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	26	79	Dubrovnik	F	27	81	Malta	S	32	90	Rhodes	S	28	82
Algiers	S	28	82	Edinburgh	C	11	52	Manchester	R	11	52	Rio de J'o	S	30	86
Amsterdam	C	16	61	Faro	S	22	72	Manila	S	28	85	Rome	S	26	79
Athens	S	29	84	Florence	C	26	79	Melbourne	S	12	54	Salzburg	S	17	63
Bahrain	S	35	95	Frankfurt	C	21	70	Mexico City	C	23	73	San Francisco	S	19	66
Barcelona	S	29	84	Funchal	F	23	73	Miami	C	28	84	Seoul	C	25	77
Bangkok	S	31	82	Geneva	F	23	73	Milan	S	26	79	Singapore	S	32	90
Beirut	S	28	82	Gibraltar	S	22	72	Montreal	F	26	79	Stockholm	F	21	70
Belfast	F	27	81	Glasgow	C	11	52	Moscow	C	27	81	Strasbourg	F	27	81
Belgrade	C	11	52	Guernsey	F	14	57	Munich	C	11	52	Sydney	F	22	72
Berlin	S	23	73	Helsinki	F	17	63	Nairobi	C	19	66	Tangier	F	14	57
Biarritz	S	25	77	H. Kong	F	31	88	Naples	S	28	82	Tel Aviv	S	29	84
Bordeaux	S	31	88	Innsbruck	S	22	72	Nassau	S	28	84	Tenerife	S	23	73
Boulogne	S	25	77	Inverness	C	11	52	New Delhi	S	30	86	Tokyo	C	23	73
Brussels	C	21	70	Isle of Man	C	16	61	New York	S	33	91	Toronto	S	22	72
Budapest	C	17	63	Istanbul	C	21	70	Nice	S	24	75	Tunis	S	31	88
B. Aires	F	15	59	Jersey	C	32	90	Nicosia	S	33	91	Valencia	S	26	79
Cairo	S	31	88	Jo'burg	S	17	63	Oporto	F	19	66	Venice	S	27	81
Cape Town	S	13	54	Las Palmas	F	18	64	Oslo	S	23	73	Vienna	S	21	70
Caracas	C	27	81	Lisbon	C	20	68	Paris	C	19	66	Warsaw	R	18	64
Casablanca	S	21	70	London	C	18	61	Peking	S	30	86	Washington	C	30	86
Chicago	S	29	84	Los Angeles	S	26	79	Prague	C	22	72	Zurich	F	21	70
Cologne	C	20	68	Luxembourg	C	25	77	Reykjavik	C	11	52				
Copenhagen	S	19	66	Madrid	S	28	82								
Corfu	S	30	86	Majorca	S	29	84								
Dallas	S	31	88	Malaga	S	25	77								
Dublin	C	15	59												

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

SECTION III

FINANCIAL TIMES SURVEY

United States
Finance and Investment

Markets have hit record heights. The inflationary dragon sleeps. Mr Volcker says expansion is alive. But Wall Street analysts are downgrading their growth estimates.

The train is slowing down

By Our New York Staff

THE US economic expansion, which celebrates its fourth anniversary this year, is "not about to die from old age or sheer exhaustion," Mr Paul Volcker, chairman of the Federal Reserve board, said a few months ago.

Such optimism from a traditionally cautious central banker must be good news for the US financial markets, which have been hitting new highs this year. In the credit markets, short and long-term rates are now pushing 10-year lows and share prices have moved up to levels undreamed of 12 months ago. The overall stock market has risen by close to a third over the year and the Dow Jones Industrial Average has gained more than 500 points and begun to flirt with the "magic" 2000 level.

The performance of the markets has been underpinned by a dramatic change in investors' inflationary concerns. For four years US inflation has been running at less than 4 per cent a year, yet interest rates have been in double digit figures. Last November long-term government bond yields fell below 10 per cent as Congress showed signs of coming to grips with the huge federal budget deficit by passing the Gramm-Rudman balanced budget legislation.

The collapse in world oil prices, from more than $30 a barrel to a low of just under $10 in April, confirmed for the time being that the inflationary dragon, if not slain, is quiescent.

The record-breaking performance in the US financial markets, however, contrasts with the patchy performance of the real economy. Whole segments of the traditional manufacturing sector continue to be bypassed by the recovery. Industrial output is no higher than it was a year ago, prompting Mr Allen Sinai, Shearson Lehman Brothers chief economist, to conclude that "the industrial sector clearly is in a recession."

Across wide swathes of middle America, from the Canadian border to the Gulf of Mexico, large parts of the farm and energy sectors are in serious trouble.

This helps explain why one out of every 10 US commercial banks is on federal regulators' problem lists, and a record 140 to 160 banks are expected to fail this year.

Many of the banks' traditional "rustbelt" customers such as the steel industry are realising that the glory days are not going to return. Even the car industry, battered by low-price imports, has had to resort to cut-price financing to clear traffic jams on the dealer lots.

Much of the American industry had been counting on a falling dollar to stem the flood of imports and boost overseas sales. After many false dawns the dollar finally began to head downhill last year after a four-year run which had taken it to a February 1985 peak of about yen 260 and DM 3.30.

Since then, aided by periodic bouts of co-ordinated intervention, the dollar has fallen by more than a third against the Japanese and West German currencies. But while stronger overseas currencies have begun to translate into marginally higher US import prices, exporters have not achieved big sales gains overseas because of sluggish demand in the other major industrial countries.

Last year the US ran a record $118bn deficit on its current account and analysts expect it to be higher this year and next. For the Reagan Administration, already facing a barrage of protectionist sentiment in Congress, the trade imbalance is a political headache—and another reason why Mr James Baker, the Treasury Secretary, has been pushing for a lower dollar to head off further calls for import quotas and duties.

Not everyone is as sanguine as Mr Baker about the wisdom of the increased reliance on exchange rates to correct payments imbalances. Federal Reserve officials, in particular, worry that a further slide in the dollar could reignite inflation and more immediately precipitate a free-fall in the exchange rate. This could jeopardise the willingness of foreign investors to continue funding the Federal budget deficit.

Last year, for example, foreigners channelled a net $44bn into the US bond market, and in the first quarter of 1986 bought 20 per cent of the net new supply of Treasury notes and bonds.

Mr Gerald Corrigan, president of the New York Federal Reserve Bank, noting last month that the US is on its way to becoming the largest net debtor nation in the world, warned that the country is increasingly vulnerable to swings in overseas investor sentiment. Fears that the dollar's fall will frighten away foreign investors have proved unfounded but the recent volatility in the value of the dollar underlines the nervousness in the world's foreign exchange markets.

Another potential external threat to the US financial system already causing concern in Washington is the Mexican debt crisis, which has been heightened by the surprise resignation of Mr Silva Herzog, the country's internationally respected Finance Minister. Mexico is the latest potential flashpoint for a financial system which has had more than its fair share of unexpected shocks over the last three years, ranging from the near collapse of Continental Illinois bank in 1984, to the run on some privately insured savings banks in Ohio and Maryland last year.

US regulators are well aware that the forces reshaping the US financial system — product innovation, competition, deregulation, securitisation and the growth in trading volume—have increased the level of potential risk in the system. A shock which starts in one market may spread quickly along a network of linkages until it finds a weakness in some seemingly unrelated place.

For this reason the recent volatility apparent in the US financial markets—and the perceptions it creates in investors — must be of concern. This explains why the regulators have been paying attention to the impact of computer-driven program trading, which has led to unprecedented daily swings in the market indices in recent months.

Regulators are also anxious to defuse a creeping suspicion in the rest of America that Wall Street is little more than a casino, where the dice are loaded against small investors.

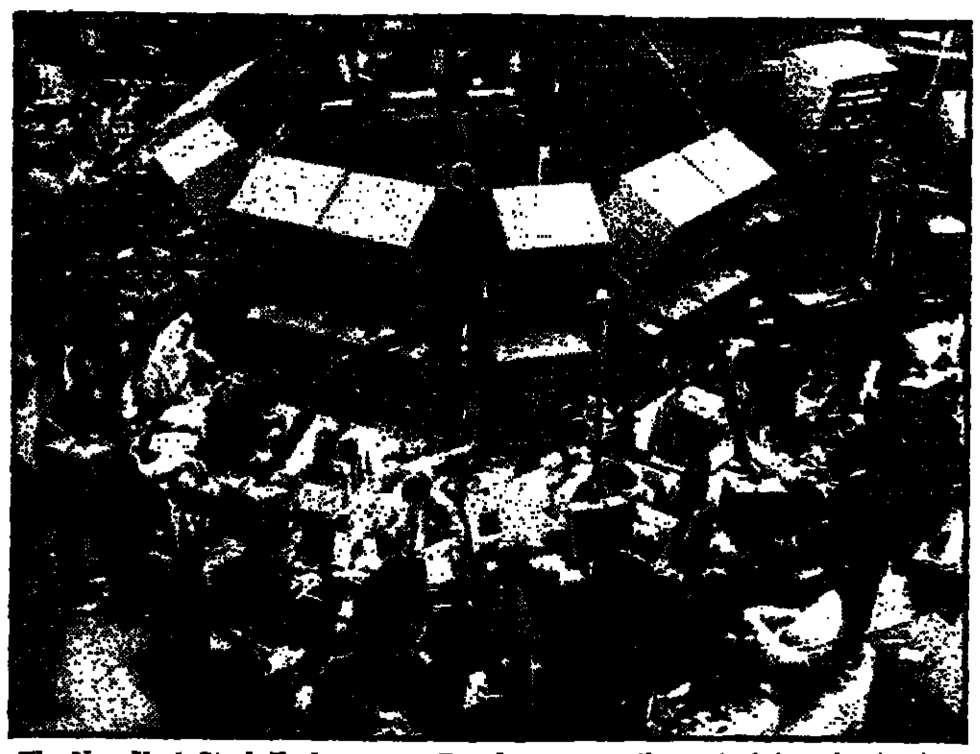
In the last few months the Securities and Exchange Commission and the law enforcement agencies have launched a series of well-publiicsed attacks on insider trading. Earlier this month, Mr Dennis Levine, an investment banker, agreed to pay back more than $10m in alleged insider trading profits.

Against this backdrop it will be tough over the coming year for the financial markets to match their showing of the last 12 months. Indeed, there are a number of major uncertainties ahead. Among these are the impact of the proposed sweeping tax reforms under debate on Capitol Hill, the autumn Senate elections which could tip the balance of power in Congress, and the future leadership and balance of power within the Federal Reserve Board.

But the underlying question must centre on the performance of the domestic economy in the coming year. The long-awaited upturn in growth following last year's sluggish 2.2 per cent real gain in gross national product has yet to materialise. Indeed, in the face of lacklustre consumer demand and virtually no real growth in capital spending, Wall Street analysts have been scrambling to downgrade their 1986 growth estimates and corporate earnings forecasts.

At the start of the year analysts were forecasting that corporate earnings would rise by up to 20 per cent after last year's 12 per cent decline. In the first three months of the year earnings were down by about 3 per cent and unless there is a surprisingly strong showing in the second half of the year, the earlier earnings forecasts look optimistic.

What is becoming increasingly clear is that the US economic locomotive is slowing down and badly needs help from the rest of the world. The performance of the domestic economy appears to be increasingly tied to events overseas. In order to take advantage of the weaker dollar and lower domestic interest rates, US manufacturers now need to see real expansion in the rest of the industrialised world—and that explains the US Administration's increasingly urgent appeals for West Germany and Japan to pick up the baton of economic growth.



The New York Stock Exchange . . . Regulators want the rest of America to stop picturing a casino with loaded dice

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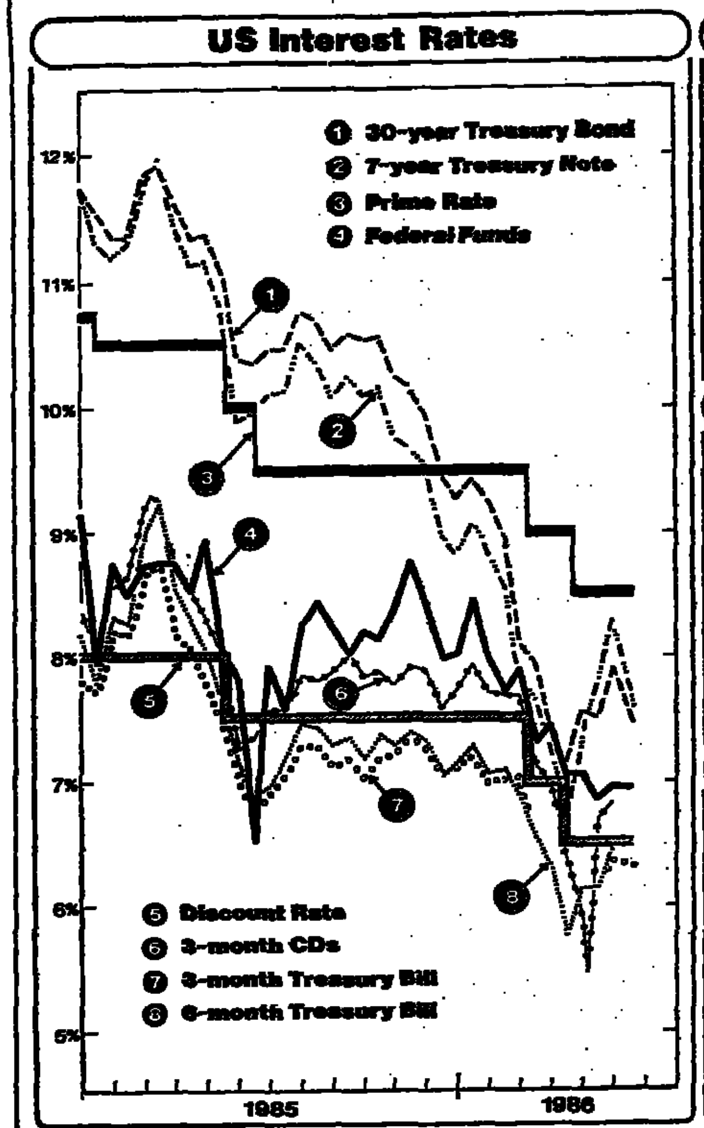
●Statistics compiled by Rivka Nachoma

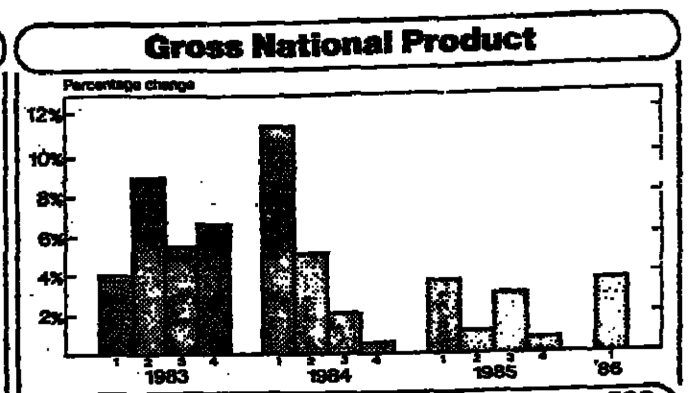
HOW THE TOP TEN U.S. BANKS FARED IN 1985 ($ Millions)

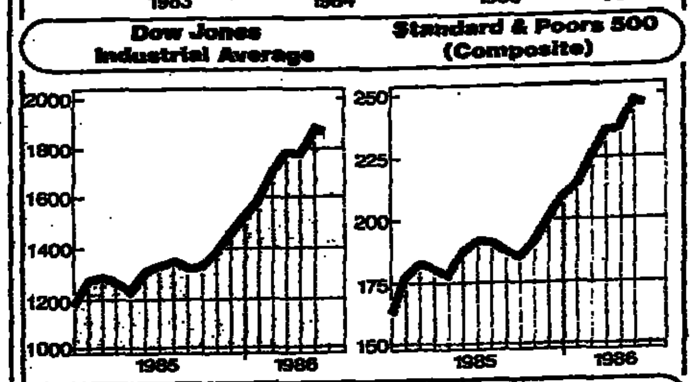
Name	Assets ($bn)	1985 net income	% change on year	1985 provision for loan losses	1985 reserve for loan losses	As % of total loans	1985 non-performing assets	As % of total loans	1985 ROE	1985 ROA	Primary capital ratio	Market capitalisation
Citicorp	173.6	998.0	+12.0	1,243.0	1,229.0	1.08	2,200.0	2.00	15.10	0.62	6.40	7,698
BankAmerica	118.5	(337.0)	n.m.	2,180.0	1,584.0	1.88	3,423.0	4.05	(9.74)	(0.28)	6.34	2,560
Chase Manhattan	87.7	564.8	+39.0	485.0	968.0	1.47	2,060.0	3.30	13.60	0.65	7.04	3,414
Manufacturers Hanover	76.5	407.5	+15.6	622.8	813.8	1.39	1,530.0	2.62	12.33	0.54	6.41	2,155
J. P. Morgan and Co	69.4	705.4	+31.2	335.0	793.0	2.20	764.0	2.14	18.12	1.06	8.06	6,587
Chemical New York Corpn	57.0	390.2	+14.5	281.4	567.9	1.45	1,185.0	2.98	15.06	0.70	7.20	2,568
Security Pacific	53.6	322.8	+11.0	379.4	554.4	1.50	1,134.0	3.10	15.50	0.69	7.08	2,947
Bankers Trust	50.6	371.2	+21.0	175.0	427.6	1.70	806.0	3.20	16.59	0.79	6.66	3,075
First Interstate Banc	49.0	313.1	+13.3	375.6	452.5	1.38	1,294.0†	2.82	13.31	0.67	6.37	2,741
First Chicago	38.9	169.0	+96.0	411.2	431.6	1.78	657.0†	2.72	8.33	0.43	7.34	1,624

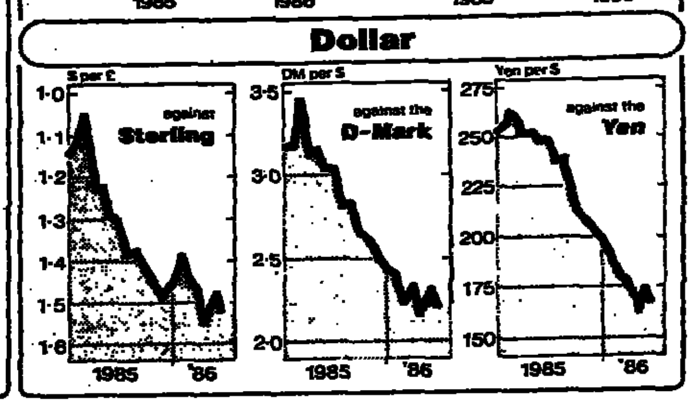
† Non-performing assets.

US FINANCE & INVESTMENT 2









The Economy

Doubts about the foundations

PRESIDENT REAGAN'S plea in May for his country's trading partners to take measures to stimulate their growth showed just how anxious Washington's policymakers are about the nation's economic outlook.

In its way it was a remarkable statement. After all the US is now enjoying its fourth consecutive year of economic expansion. Inflation has been subdued, at least for the time being. Some 10m jobs have been created since the last recession bottomed out in response to these striking successes.

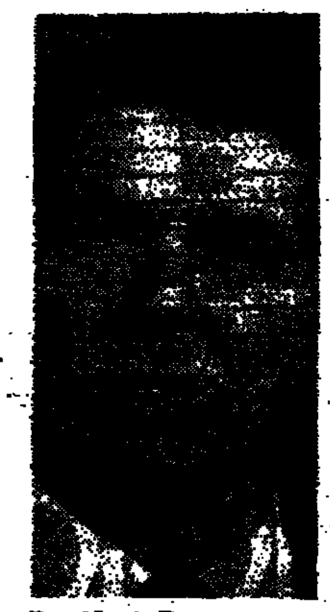
Wall Street's stock market has been hitting record high levels and a raging bull market in fixed-interest securities has driven long-term interest rates to levels last seen in the mid-1970s. Treasury Bonds in the spring came close to the 7 per cent level. In 1984 yields were almost twice as high.

Mr Reagan's appeal to the country's trading partners, particularly West Germany and Japan, to close the growth gap which, he alleged, exists between the US economy and the economies of the other industrial countries, contrasted with the self-confident and at times arrogant hectoring of its allies that US officials had indulged in during his first term in office.

The change of tone is understandable, for there is on Wall Street and in Washington an acute sense that the economic success of the first years of the Reagan Presidency have built on foundations which will not survive the challenges now looming ahead unless all the industrial powers meet those challenges co-operatively.

Of immediate concern, of course, is the evidence that earlier predictions that 1986 would turn out to be a banner year for the US economy, after the sluggish 2 per cent real rate of growth recorded last year, no longer look as though they will be realised.

These optimistic forecasts were based on a variety of factors. It was argued, for example, that after a pause in the latter half of last year consumers would stop worrying about the heavy burden of debt they had accumulated and speed up their spending.



President Reagan . . . asked trading partners to close the gap

Lower interest rates, the decline in inflation, the wealth effects of the boom on the stock and bond markets, and continued job growth were cited as some of the factors which would contribute to this trend.

The transfer of wealth of the industrial countries derived from lower oil prices was also cited as a factor which would work through into a stronger US economy. Crucially, the sharp decline in the dollar, so the optimists argued, would curb the growth of imports, boosting domestic growth and increasing the incentive for companies to increase their capital spending.

Many of these arguments for projecting an economic upswing this year remain valid. What has become clearer since January, however, is that the economic upturn which most private economists have been forecasting is certainly going to take longer to arrive than was expected. The delay is even leading some pessimists to fear that a recession is now a real threat.

The depth of the plunge in oil prices has had a much bigger adverse impact on domestic output, particularly in the southwestern oil-producing states, than many expected. Lay-offs in oil-related businesses and capital spending curbs have had a depressing effect on the economy.

An accommodative monetary policy and lower interest rates have not had the stimulating effect on demand that had been assumed. Moreover, one of the key assumptions in projections of an upswing during the year — the prediction that the sharp fall in the dollar exchange rate would quickly be translated into more output and jobs in the depressed industrial sector — has yet to prove justified.

It is the failure of the trade accounts to improve as quickly as White House officials had hoped that has caused such alarm in the Administration and focused attention on the difficulty of sustaining an already, by conventional standards, protracted cyclical upswing.

The immediate White House concern is that with the trade deficit, currently running at annual rates close to the 1985 level of $150bn, the task of curbing protectionist pressures in Congress is that much harder. There is thus a real danger that, with economic growth sluggish, the Democratic Party will be able to capitalise on the trade and competitiveness issue in the mid-term November elections and regain mastery of the Republican-controlled Senate.

That would seriously weaken Mr Reagan's credibility and revive the belief that he is a "lame duck" president.

No less serious for Mr Reagan, however, is the spotlight which the absence of an improvement in the trade deficit is throwing on the economic policy choices facing the Administration.

Both Treasury Secretary James Baker and Federal Reserve chairman Paul Volcker are saying that the country's trading partners need to grow faster in order to help the US to increase its exports. The alternative, Mr Baker has pointed out quite uncompromisingly, is that the dollar will have to fall further in value in order to improve the price competitiveness of US manufacturers.

If only it were that simple. Some projections suggest that the dollar will have to fall another 20-30 per cent in order to have a framework impact on the trade balance. There can be little doubt that signs of such a decline would have a seriously adverse effect on inflationary expectations.

Could the US really continue to attract the billions of dollars of foreign funds it needs to finance a huge budget deficit and a growing private sector at interest rates which would permit this expansion to continue if the inflationary outlook were to take a severe turn for the worse? Mr Volcker has already made clear his fears that the answer to this question is "no."

Further dollar devaluation therefore seems to be a high-risk escape route for economic policymakers in the US and elsewhere. Japan and West Germany are already having difficulty in coping with the currency swings that have occurred so far.

The evident fragility of the economic upswing in the US and the rest of the industrial world, and the risks that too aggressive an attempt to resolve American trade and budget problems could backfire, suggest that policymakers must move cautiously.

On Wall Street there is a widespread expectation that a sluggish second-quarter US expansion and moves to lower interest rates in Europe and Japan will give the Federal Reserve some leeway to edge short-term rates down a little further.

It is hoped that in time the dollar's decline will begin to turn the US trade deficit around and that the economy will begin to respond to the positive developments in the oil and financial markets.

A US recession—a catastrophe which is hard to contemplate with equanimity—still seems a remote possibility; but it is increasingly unlikely that Mr Reagan and the Republican Party will be able to boast the vigour of the US economy as the November elections approach.

Stewart Fleming

Tax Reform

Far-reaching impact on funding

THE TAX REFORM package which was pulled out of the fire and radicalised by the Senate Finance Committee last month will have a far-reaching effect on US corporate finance.

The corporate tax measures, if they survive on the floor of the Senate and in the joint Senate-House of Representatives conference committee, will reverse many of the 1981 concessions and move towards a comprehensive corporate income tax similar to that of the UK tax reforms of 1984.

Among the industries most harmed by the measures, in particular by the repeal of the investment tax credit, will be leasing, construction and real estate and traditionally capital-intensive industries such as steel.

Real estate, construction and agriculture will also be be affected by the curbing of tax shelters. Overall, corporations will have to shoulder an extra burden of taxation, transferred from individual taxpayers, of $100bn spread over the next five years.

The winners will be high-tech, food processing, retailing, financial service and other industries whose capital is mainly tied up in stocks and in other non-depreciable forms. All gain from the proposed cut in the corporate tax rate from 46 to 33 per cent.

The main corporate lobbies in Washington, which mobilised against both the House of Representatives tax reform Bill, passed in December after a similarly dramatic U-turn, and the patchwork of concessions introduced into the earlier Senate Committee versions, are now acquiescing in the latest package.

"It is the least bad version on offer," says Mr Paul Huard, of the National Association of Manufacturers.

Several measures are expected to accelerate the trend in US corporate finance towards a more highly-geared capital structure. "The Bill may reduce the amount of equity capital available and push companies more towards fixed income obligations," says Mr Albert Ellentuck, national tax partner at accountants Laventhol and Horwath.

Passive individual investors will no longer be able to offest tax shelter losses against regular earned income. Capital gains will be taxed as part of regular income, at rates of 15 or 27 per cent, though corporations will pay a rate of 28 per cent. Capital losses may be offset only against other capital gains, however.

At the same time the sharply lower rates of tax on all personal income, including investment income, will increase the attractiveness of high-yielding deposits and bonds relative to equities, although it also means that corporate borrowers will offset their interest against a lower rate of tax.

Investment in plant and equipment is expected to decline because of the withdrawal of the investment tax credit. This measure has appeared in all the versions of tax reform, although the more investment-conscious Senate Committee has considered various palliatives and has made a few exceptions for energy equipment and low-income rental housing.

As the veteran lobbyist Dr Charls Walker, a former Deputy Secretary of the Treasury, says, tax credits have a history of being repealed and then reintroduced in response to a slump in industrial investment.

The one palliative that has survived in the latest version of tax reform is the provision to allow companies to write off plant and equipment against tax at an accelerated rate in its early years. Thus the only major victim of the changes in the depreciation rules is real estate, whose period of depreciation is extended substantially to between 27.5 and 31.5 years.

Lurking in the background, however, is another change in the Senate Finance Committee Bill which in the longer term could have a more fundamental effect on corporate tax liabilities. That is the use of a corporation's book income, as shown in its financial statement, as one element to be included in the calculation of its alternative minimum taxable income.

This measure is projected to raise $25bn extra tax over the first five years by restricting the value of the preferences and special reliefs a company can use to reduce its tax bill. In the longer term the provision could be used to reintroduce through the back door the exceptionless comprehensive corporate income tax system set out in the original Treasury tax reform proposals in 1984.

A capital-intensive company might find the new provisions working as follows: assume that its taxable income, after using all the available deductions, is $100m, giving a tax liability of $33m. To calculate its alternative minimum taxable income (AMTI), the company would add back nearly all the preference items in the tax code, such as the generous bad debt provisions and use straight-line, instead of accelerated, depreciation, relying on the pre-1981 schedules. Assume this yields an AMTI figure of $200m.

The company would then examine its book income which might be still higher, at say $250m, because of timing differences in accounting methods and a few additional preference items, such as tax-exempt bond interest, excluded from AMTI. It then takes the figure which is half the excess of book income over AMTI, in this case $225m, and computes a 20 per cent tax rate to reach $45m. The company is taxed on the larger of this figure and the original computation ($33m).

Some economists estimate that about one-third of US companies will have to pay the AMTI/book income tax figure rather than the original. If it were strapped for cash in future years, Congress could easily boost this proportion by raising the 20 per cent rate.

Accountants and auditors fear worse consequences. "This will have an impact on the way companies report their earnings and will put accounting principles under pressure," says Mr Ira Shapiro, director of tax policy at Coopers and Lybrand.

Companies will be tempted to adopt practices to reduce their declared profits in the controversial areas of accounting — and confidentially reassure their influential shareholders that the reality is better than it seems.

Thus, in a reversal of their traditional roles, auditors may be pressed by tax-conscious finance directors to be more conservative in their treatment of stock profits and losses, depreciation and depletion, uncompleted contracts, and instalment payments.

Companies may also become more inclined to go, or stay, private so that they do not have to follow US accounting standards

Clive Wolman

Bond Market

Bonanza as inflation fears fade

FOR INVESTORS in the $2,500bn domestic bond markets the past six months have mainly provided a bonanza.

Domestic interest rates have fallen to their lowest levels in nearly a decade as oil and commodity prices have plunged, all but wiping out the credit markets' old inflationary fears.

At the same time the Federal Reserve Board—with Mr Paul Volcker now firmly back in charge after a well-publicised and highly unusual attempt at a boardroom coup in March led by vice chairman Preston Martin who subsequently quit—has remained accommodating.

The Fed's accommodative stance, driven by a need to keep the US economic locomotive on track, has survived despite the sharply falling dollar following the historic Plaza Hotel meeting in September and, more recently a spurt in M1, the basic money supply measure which is now way above target—although the broader money measures, M2 and M3, remain relatively well behaved.

Well Street generally belives, despite the occasional doubt, that the Fed has continued to de-emphasise M1 in favour of other measures, and that open market operations are now mainly focused on maintaining a stable Fed funds rate. This view is supported by the unusual stability of the overnight interbank rate.

Meanwhile, the prospect of declining Federal budget deficits—as envisaged by the Gramm-Rudman balance budget amendment which now faces a key testing period as the 1987 Budget takes shape—and relatively modest credit demands reflecting the state of the economy with almost no real growth in capital spending, have combined to set positive conditions for the credit markets.

Reflecting these factors, short-term money market rates have fallen by up to more than 120 basis points over the past year. The discount rate has been cut in two steps by a full point to its lowest level since May 1978 and the bank prime rate has fallen from 10 per cent to 8.50 per cent.

At the other end of the maturity spectrum the Treasury long bond yield—which first pierced the 10 per cent barrier last November — now stands around a full three points lower at 7.45 per cent from 10.50 per cent a year ago.

As a result, the Treasury yield curve has flattened considerably as investors' inflation nerves have calmed. Although the market has yet to match the low yields set at the time of the last discount rate cut in mid-April, when the Treasury long bond was briefly at the 7.10 per cent level, the rally is still impressive.

The recent leg of the rally has provided a much needed opportunity for corporate treasurers to refinance higher price debt and strengthen balance sheets.

Indeed, new issue volumes overall have been hitting new records nearly every month. According to First Boston figures, a massive almost $100bn in new fixed income securities have been brought to market so far this year—almost three times the total for the same period last year.

In part the total has been swollen by the continuing merger and acquisition boom and the substitution of debt for retired equity. In most periods traditional long-term issues have represented about half the new volume, with mortgage-related debt and convertible debt securities making up the remainder.

Meanwhile, the pace of financial instrument innovations on Wall Street has continued. Among the new debt instruments on the US cradit markets have been swap-linked Australian dollar and New Zealand Yankee issues which first appeared in February and were designed to take advantage of cheaper rates abroad.

The key question now for the US credit markets is whether the rally can be sustained. The high volatility and relative thinness of the markets in recent months suggests some serious doubts. Indeed, the performance of the US markets in the near future may well depend as much on events overseas—particularly the prospects for another round of co-ordinated interest rate cuts—as it does on the fed and the US economy.

The likely performance of the US economy is still hotly debated. Wall Street economists have been revising their second-quarter GNP forecasts sharply downwards since the May economic numbers. Many are now predicting that real growth in the second quarter may not even reach 2 per cent.

Concern about flagging consumer demand and capital spending, which currently shows no real growth, is calling into question earlier forecasts of a second half upturn. That could negate credit market concerns that a sharp upturn in the domestic economy, coupled with a weaker dollar and higher import prices, could signal a rise in both credit demand and inflation.

The dollar also remains a key uncertainty. Spreads between US and foreign interest rates have narrowed appreciably over the past 12 months and the sharp decline in the US currency has caused periodic worries that overseas demand for dollar denominated securities could dry up.

So far there is little sign that that has happened. Indeed, the latest Treasury analysis of foreign demand for Treasury notes and bonds released earlier this month shows that net foreign transactions amounted to 20 per cent of net new supply of notes and bonds during the first quarter, up from 17 per cent in the 1985 first quarter and about the same as the overall level of foreign participation last year.

The numbers are particularly impressive since they came at a time when the trade-weighted dollar was falling by 3.6 per cent. The Treasury numbers also contained other surprises. In particular, while net Japanese transactions as a percentage of total foreign transactions accounted for 63 per cent last year and 67 per cent in the final quarter, they fell to a paltry 24 per cent in the first quarter.

But, as the analysts Smith Barney note, this masks a sharp acceleration in trading volume. Foreign trading volume totalled $394bn, with Japanese investors accounting for 25 per cent in the first quarter, up from Japan's 18 per cent share of the $695bn total foreign trading volume for the whole of 1985.

Thus, while Japanese net purchases fell sharply, total trading volume, including Japanese trading volume, continues to rise.

Apparently the credit markets still hold great attractions for US and foreign investors alike: in the 12 months to June 1 the Salomon Brothers' broad index posted a sparkling total rate of return to investors of 18.24 per cent—despite a sharp reversal in May.

Perhaps the only real question is what to do for an encore.

Paul Taylor

Securities

Exploring the bewildering thickets

IF THE US securities markets have one new factor to bring to the world market it is their gift for innovation and for the rapidity with which they have created ways to trade in what was once thought non-tradeable.

Securitisation of debt of all kinds, and the readiness to trade against future developments have provided the most dramatic developments of the Wall Street markets.

The trend towards loan securitisation has now spread from the housing mortgage markets to the commercial mortgage markets and into a bewildering thicket of consumer loans—not all of which have met with immediate success.

Such new investment instruments have become a firmly entrenched feature on both sides of the investment equation, as highly important profit centres for the Wall Street firms and as widely-owned portfolio assets.

Securitisation of US residential mortgages has never looked back since its introduction in the mid-1970s. Nearly one half of all new residential mortgages now move quickly into the market after being backed by pass-through certificates issued by the quasi-Federal agencies concerned.

About one-fifth of the existing mortgage debt is currently securitised, according to Salomon Brothers, who are among the major players in the sector.

The same technique has been applied, with success, to the commercial real estate mortgage business. This is a more tightly held area than the residential mortgage industry and growth has been less spectacular. There has always been a market for good-class commercial mortgages, usually between banks and professional property firms.

But a market for securitised commercial mortgages offers clear advantages for the holder of the debt, and the building boom in New York and other big cities has helped the new sector.

Current figures on commercial mortgages are difficult to identify. At the end of last year commercial mortgage debt totalled about $454bn, bringing it into the same range as the municipal and corporate debt markets. Securitisation began only in 1982, when about $2bn in financings of seasoned properties and loans was secured.

Among the largest commercial mortgages to be securitised, a $970m floating rate note for Olympia, affirmed the benefits of the move by returning a substantial yield advantage over three-month certificates of deposit.

The move to issue securities backed by pools of automobile loans has been less successful largely because the positive yield curve on them is less attractive to the banks—which are effectively the only issuers.

But securitisation of portfolios of tax-exempt or municipal securities has found a modest but comfortable market niche. Low coupon tax exempts are widely held by the financial institutions, and through the market rating system, not difficult to evaluate.

Institutions now sell the pooled securities complete with an option allowing the buyer the right to sell the security back to the seller at par. This effectively shortens the maturity curve of the package, enabling the investor to realise the portfolio at close to full price.

Similar techniques have been applied to a host of zero-coupon tax exempts—ranging from zero coupons sold at par or at a discount to zero coupons with a convertible date. The most exciting, and potentially the most alarming, of the market's new trading instruments are the futures and options contracts, based on the Standard and Poor's 500 index and the Value Line stock market index.

In the turbulent market swings this year the index futures markets have been blamed for increasing volatility. So significant has been the dreaded Witches' Hour—the four Fridays of each year on which stock index futures and options expire on the same day—that the SEC has taken notice.

The trick is that when a stock index future expires its value must exactly equal the underlying stocks. When the futures move to a premium against the stocks traders sell the futures and buy the stocks, guaranteed of a profit as the two converge—or vice versa, of course.

Since the process is almost mathematical it has lent itself perfectly to computer programming—hence the sudden release of a flood of programmed dealing orders at a moment's notice and hence the pandemonium when the Witching Hour approaches.

Terry Byland

Equities

New issues take off

IN THE EQUITY markets, still buoyant despite bouts of nervousness, US corporate treasurers have reaffirmed the importance of the stock market as a source of investment capital.

Although the growing volatility of the markets is now making the timing of new equity sales more difficult this year could still see initial public offerings (IPOs) at a new peak, backed by substantial offerings of common and preferred stock by established companies.

The year opened strongly with new issue interest about treble that of the comparable period —measured either in terms of IPOs, new issues from quoted companies, or SEC filings.

Investors' interest, while less simple to calculate, was correspondingly high, as the sudden, and often unexpected surges in the stock market kept investors in a state of excitement.

New issue markets, like the rest of the equity sector, were to some extent playing off the dramatic fall in bond market yields, which provided both a spur and a competitor for stocks. The first rush to raise new equity capital this year came from the financial sector, where tumbling interest rates meant healthier earnings prospects and strong gains in stock prices.

Thrifts, banks and insurance companies could, and did, sell new equity into a stock market already driving their existing stock price higher. In some cases, stock prices surged so rapidly that new offerings were increased during the period between their announcement and their arrival on the market.

During the bull phase of financial stocks, investors and companies alike were able to overlook a host of factors which restrained enthusiasm towards the sector the year before. Memories of the disappointments that followed the rush to market by thrift companies in 1982-83, as well as the new problems caused by their rush into new business areas, all faded slightly as mortgage business boomed and financing costs fell.

As to the banks' stocks, Wall Street has put the Latin American debt worries on the back burner for a while.

Now, with rates no longer falling so sharply, and domestic debt burdens threatening the financial sector, stock prices have lost their shine and new equity sales have slackened.

Across the broader range of manufacturing industries, new debt, with its tax benefits to issuers, has easily remained the most favoured source of finance for US corporations. But the increased indebtedness of US industry has also become a spur to corporate treasurers, turning them towards the equity markets.

The headlong rush to raise new debt for acquisition purposes left many companies with balance sheets uncomfortably bloated as the mood turned. Acquisition mania cooled as plunging oil prices undid some of the rationale behind the oil industry megabids and the Texaco-Pennzoil legal case cast a chill over the borrowers.

Excessive use of junk bond financing in the takeover boom, which has now brought a more censorious attitude both by major ratings agencies and by the investment industry in general, also enhanced the attractions of the equity issue.

By no means last among financial sector companies rushing to market have been the Wall Street firms themselves. Public quotations by Bear Stearns, Morgan Stanley, L. F. Rothschild and Alex Brown and Sons have marked a changing investment climate. The massive increase in costs, market turnover, fee income and potential risk have all made private ownership less attractive.

As the world-wide stock market comes nearer, and existing world centres are linked ever more closely, the need for growth and for capital by market-makers is likely to continue apace, though there are signs that the new issue markets have not fully dispelled the memories of the surge in new technology issues which triggered the stock market boom of the early 1980s.

Not all those new issues proved to be swans—or Apple Computers—by any means. By 1985, many of the technology hopefuls had fallen well down the list of new issue performers.

Thus, while there was no lack of technology hopefuls seeking to join the 1986 rush to market, Wall Street analysts, and investors, were less enthusiastic.

This harsher climate discouraged some technology newcomers and, with the main-line computer industry itself in a state of nerves, has even kept the major names on the sidelines. Sperry Corporation, tagged long ago by the market as a takeover target, pulled in a successful $200m convertible debt issue only months before falling to Burroughs' second bid attempt.

But IBM has set the tone for the sector with a heavy stock repurchase programme.

The outlook for new issues, like so much of the US equity markets, depends on the prospects for the US economy and specifically for corporate profits. Stock prices have reached levels which already discount good profits news in the second half of this year.

Now, with the market torn between optimism for lower interest rates and pessimism for sluggish economic growth, the new issue market is unsure whether to tread on the accelerator or the brake.

Terry Byland

Net purchase of US equities ($m, 1985)

	1st qtr	2nd qtr	3rd qtr	4th qtr
Europe	(1,344)	(369)	869	2,841
Belgium-Luxembourg	20	60	64	40
France	(73)	67	(164)	(272)
Germany	(356)	66	232	788
Netherlands	(279)	(117)	80	295
Switzerland	(414)	(91)	(77)	513
UK	(235)	(356)	691	1,489
Canada	213	(20)	168	(8)
Total, all countries	(1,137)	529	(1,427)	
Latin America & Caribbean	389	546	204	602
Bermuda	335	223	211	255
Netherlands Antilles	11	210	(62)	152
Asia	(441)	409	151	404
Hong Kong	(256)	79	63	(99)
Japan	(191)	191	(124)	422
"Other Asia"*	(37)	43	142	61
Total, all countries	(1,137)	529	1,427	4,082

* Includes Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia and UAE.

Net purchase of foreign stocks by US investors ($m, 1985)

	1st quarter	2nd quarter	3rd quarter	4th quarter
Europe	840	169	342	400
France	12	18	31	340
Netherlands	146	(77)	(103)	3
Switzerland	89	(69)	83	176
UK	372	79	239	(73)
Canada	363	147	267	443
Asia	685	(300)	291	14
Japan	573	(371)	99	(172)
Other	(19)	9	87	(71)
All countries	1,869	25	987	786

High-yield Bonds

Small investors pick up junk

SO FAR, so good, is probably the best way to sum up the recent performance of the high-yield bond market, popularly known as the "junk bond" market because it is the trading arena for securities which are rated below investment grade by the main US credit rating agencies.

The market is continuing to grow rapidly and will soon top the $100bn mark in terms of the value of all outstanding issues of paper. Four years ago only 8.8 per cent of outstanding corporate bonds had non-investment grade or speculative grade ratings.

For *Standard & Poor's*, one of the two main credit rating agencies, this definition means any issue ranked below BBB, or BAA3 in the case of Moody's, *the other major credit rating* agency. Today, the percentage has nearly doubled and the pace of new issues shows little sign of slowing.

Drexel Burnham Lambert, the New York investment bank which has pioneered the growth of this market, estimates that some $12bn of new issues (net of redemptions) have been brought to the market so far this year. This compares with $15.4bn (net) in all of last year.

Roughly 25 per cent of all publicly-offered debt (excluding mortgage-backed bonds) by US corporations in 1984 is either non-rated or had a speculative grade rating. Last year the percentage dropped to 20.3 per cent.

But it still "stands in stark *contrast* to the lack of such offerings as recently as 10 years ago," said the Federal Reserve Bank of Cleveland in its February economic commentary.

Mr Bob Waill, who researches the "junk bond" market for New York brokers L. F. Rothschild, Unterberg, Towbin, says that investors' appetite for high-yield paper "looks insatiable" at present. Although the "junk bond" market has not performed as well as other parts of the debt market over the past few quarters, Mr Waill says that demand for this type of paper remains high, especially from *mutual funds which specialise* in this area.

The key reason, says Mr Waill, is that small investors are finding that when they roll-over their bank certificates of deposit their yields are dropping from over 10 per cent to around 6 per cent.

For retired folk and others who live on fixed-interest income there is a tremendous incentive to search out higher returns and a substantial amount of money is flowing into the specialist high income mutual funds which are pulling it into the "junk bond" market.

The returns vary widely depending on the credit risk attached to the various securities, but Mr Waill says that investors can now earn between 11 and 12 per cent on high-yield paper. This compares with rates of around 8 per cent on long-term US Government Bonds.

According to Morgan Stanley, a New York investment bank which publishes a monthly magazine on high-yield bonds, investors can currently earn 578 basis points above the rate on 20-year US Treasuries (currently 8.18 per cent) by investing in "junk bonds" issued by US airlines.

For *energy companies* the spread slips to 533 basis points and the average spread on high-yield securities issued by utilities is 404 basis points above *comparable Government bonds.*

Although there was continual speculation late last year that the Federal Reserve was trying to curb the growth of the "junk bond" market by tightening its rules on the financing of hostile takeover bids, analysts say that it has not had a major impact on the market.

Mr Bruce Clark, of Moody's Investors' Services, which recently expanded its coverage of this sector of the market, says that the market remains "*very, very active*" and the types of new issues are much more broadly based than a year ago when companies in high technology and broadcasting dominated the list of new paper.

"At this point it is too difficult to determine whether or not the growing use of low-rated bonds in debt-based financing is harmful to our economy," said the Federal Reserve Bank of Cleveland in an economic commentary last February. The optimum capital structure of the non-financial corporation depends on so many variables that the simple rules about capitalisation, that have served reasonably well hitherto may no longer be valid.

The US authorities, particularly at the *Federal Reserve* Board in Washington, are known to be greatly concerned by the rising proportion of debt in corporate balance sheets. So *far their fears have been* mitigated by the continuing fall in interest rates and the reasonable level of economic growth.

This is enabling some of the more high risk borrowers in the "junk bond" market to pay off their debts sooner than expected and refinance their businesses at lower interest rates.

Mr Rupert Murdoch, the Australian-born media magnate, for example, recently refinanced almost half of the $1.15bn of "junk bonds" which he issued *to help to pay for his growing* television empire in the US. He did this only a few months after he had issued high-yield paper in the US "junk bond" market and has significantly reduced his borrowing costs.

Several other financiers are considering similar opportunities, and their ability to refinance large sums of "junk bonds" is helped by the continuing popularity of this market *in the investment* community. Besides the high-yield mutual funds, a growing number of conservative institutional investors such as US pension *funds are becoming* more heavily involved in the market.

The traditional default experience of investors in the "junk bond" market is surprisingly low, though analysts warn that this should not be regarded as a guide to the future.

But this warning does not seem to be worrying unduly the *big institutional* investors, who argue that diversifying investment risks across the market will reduce their liability to loss.

This is a worthy objective, but the growth of the "junk bond" market still worries some of the more astute investors. According to Mr Warren Buffett, one of the canniest in the US: "One day junk bonds will live up to their name."

William Hall

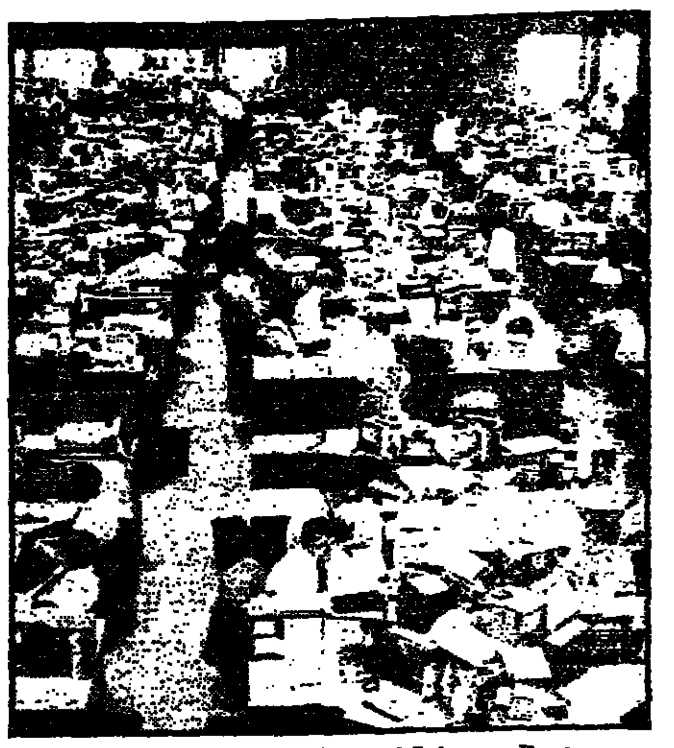
High yield bond issues ($ bn)

	New issues	Total
1977	0.55	1.06
1978	1.45	2.13
1979	1.30	1.69
1980	1.27	2.06
1981	1.38	1.74
1982	2.51	3.18
1983	7.52	8.49
1984	14.21	15.78
1985	15.40	19.80

Source: Drexel Burnham Lambert.

Wall Street

All eyes on the globe



The main trading floor of Salomon Bros.

THE securities firms on Wall Street have never had it so good. After a bumper 1985 revenues and profits surged still higher in the first quarter of 1986, although there are signs that the boom may have tailed away since then.

According to Mr Perrin Long, of Lipper Analytical, the securities industry earned some $2bn pre-tax in the January-March quarter from revenues of $12bn. The equity market was surging and falling interest rates ensured handsome profits on bond inventories.

But the big securities firms are looking well beyond the domestic markets. The preoccupation now is with the *globalisation of the securities* industry; and in several cases record earnings have not been enough to support the ambitions of firms which have their eyes on high positions in the global league table but have been just outside the domestic top 10 or so.

Hence Morgan Stanley *abandoned its long-cherished* private status in favour of a public flotation in March this year, while Kidder Peabody was sold in May to the financial services division of General Electric. Several other firms, ranging from Bear Stearns to Alex Brown have floated themselves publicly in recent months.

Only Goldman Sachs and Drexel Burnham Lambert of the leading group now remain privately owned. They have been profitable enough to build their capital bases to the $1bn-plus level simply out of retained earnings.

Mr Robert Linton, chairman of Drexel Burnham, recently reaffirmed to staff the firm's intention to remain private for the foreseeable future. He *emphasised the advantages of* freedom from the constraints of public reporting, and appeared to relish the mystique generated by secrecy.

"Obviously, there *could* be a one-time gratification from selling shares at a premium to book value," he told staff. But it was a temptation that would be resisted.

In an interview Mr Linton claimed that Drexel has generated by far the highest return on capital in the business. It has achieved a 50 per cent per annum increase in book value over the past eight years.

There has been a rapid rate of physical expansion, with total personnel growing at 15-20 per cent each year. "As long as we can hire the most *talented people we will* continue to grow at this rate," said Mr Linton.

Mr George Ball runs one of the major retail giants, *Prudential-Bache Securities,* and he is also planning substantial expansion involving an increase of a fifth or a quarter in the numbers employed.

But *Mr Ball is* content to stay as the smallest of the big five retail groups and will not try to overtake the likes of Merrill Lynch or Dean Witter. "Our *decision is to stay smaller than* the rest in the belief that we can operate our business more personally," he says.

Like several other securities *industry bosses, Mr Ball is now* giving a good deal of attention to international operations, especially in London where Pru-Bache has already invested *some £75m and has now decided* to commit another £75m.

He points out that international expertise is becoming vital inside the US as well as *overseas.* "*Globalisation has* arrived as an investment reality," he says. "It has happened simultaneously for the US private client market and the institutional market."

While the giants get bigger, however, something of a shake-out is taking place among the medium-sized securities houses. *There has never been a starker* choice between the big time and a niche strategy.

"The people in the most serious trouble are the people *in the middle," says Mr Robert* Pirie, who runs Rothschild Inc, the New York firm privately owned by the British and French Rothschilds.

Mr Pirie has gained public attention in the past year or so for his role in two major bids—Sir James Goldsmith's assault on Crown Zellerbach and Hanson Industries' offer for SCM.

But this is not typical business for Mr Pirie, who thinks relatively small. Rothschild Inc, has only about 150 staff, of which 50 per cent are professionals. This is "a very satisfactory size," according to Mr Pirie. The corporate finance side is geared to handle day-to-day placings and divestitures.

"We'll undercut anybody on *fees because our overhead is* so low," he adds. "I would never want to build a business based on doing megadeals." When they come along, however, they *provide* the gravy.

Morgan Stanley was determined not to get trapped in the middle ground between the leaders and the specialists. "We gave up being a niche player many years ago," says Mr Geoffrey Elliott, a managing director. "It is important to be a major player."

He talks of the need to maintain a "critical mass" of people both in New York and London, *where Morgan Stanley's in*volvement in the Canary Wharf docklands development project underlines its long-term commitment.

Morgan Stanley's flotation proved highly successful. It brought in a lot of capital for the firm and in the process it created a great deal of personal wealth for the principals.

But public status imposes many new responsibilities. Robert Linton of Drexel emphasises the ability of his private firm to take long-term development risks without worrying about quarterly earnings figures, while it is easier to offer stock to officers without needing to outguess the price of a publicly-traded security.

The biggest of all, Merrill Lynch, is fully sharing in the profits boom. It raised its quarterly net earnings by 56 per cent to $86.8m in the first quarter of 1986, following the more than doubling of annual earnings in 1985.

But Merrill, no longer has as big a lead over its rivals as it had. Its return on capital is nowhere near as great as that achieved by some of the more aggressive *wholesale market* firms like Salomon Bros, or Drexel.

Merrill also faces increasing international competition, not least from Nomura, the giant Japanese firm which can more than look Merrill in the eye. But Mr Jerome Kenny, president of Merrill Lynch Capital Markets, *insists* that "our capital is more than adequate."

The firm's equity is some $2.5bn, which supports trading positions averaging a little over $30bn, plus some $8bn in other positions such as swaps, facilitating clients.

"We must be firmly established in international markets in the next two years," says Mr Kenny. "Beyond that, our capital base will no longer confer much of an advantage. I view that in a few years we will be one of a handful of $3bn-plus firms operating in multiple markets."

Lipper's Perrin Long, who edits a regular review of the securities industry, says that despite the recent profits boom the quest for more and more *capital on Wall Street* reflects an underlying fall in the profitability of capital employed. Managements are therefore induced to try to build *more assets.*

From the investment point of view securities industry stocks are highly volatile, reacting in an exaggerated way *to market trends. Mr Long* points out that the ability of managements to control their rapidly expanding empires will be a limiting factor; and a key *feature of the industry is the* lack of control of firms over their basic revenues from the equity and bond markets.

"Managements have no control over share volume or equity prices and no control over which way interest rates may be trending," says Mr Long.

Barry Riley

Insurance

Shares up but profits dawdle

THE US stock market began to anticipate a turn-round in the property and casualty insurance sector in the third quarter of 1984, pushing up share prices in the following year by 50 per cent.

In the first quarter of this year insurance shares have risen by a further 22 per cent, driven by the perception of recovering prices, a reduction in the cut-throat competition of recent years, and the likelihood of favourable legal reforms.

Despite this powerful surge in share prices, however, the insurance companies are still not generating a marked rise in profits. Even though Wall Street is forecasting some improvement in earnings this year, the consensus view is that the profits recovery in the current cycle will begin to show through decisively only in 1987.

Last year, pre-tax operating losses amounted to a record $4.96bn, as net investment income, at $19.7bn, failed to keep pace with underwriting losses of $24.56bn—up from the previous year's record of $21.46bn.

The 1985 results emphasise how difficult it is for the industry to pull out of the prolonged crisis which began back in 1979.

Over the past seven years, insurance companies have gone through a potentially destructive cycle in which short-term profits were maximised for a time through a process of underwriting business at almost any cost so as to pull in premiums which earned exceptional profits in the period of sky-high interest rates.

Long term, this policy was always bound to prove damaging because prices had been cut to a level where they simply did not reflect the underlying risks being undertaken.

The increases in damages awards made in the US courts in a variety of areas—on pollution claims, medical malpractice and hazardous waste, to name only three—have landed the industry with payments and legal costs that it had no way of forecasting on standard actuarial judgements only a decade ago.

The process of recovery from this period of acute difficulty (A. M. Best, the insurance industry monitoring group, is predicting a fall in the industry's pre-tax operating deficit this year to $1.5bn) hinges on the insurance companies' ability to make the new strategies they have applied over the past two years stick in the market place.

They are trying to achieve this turnround in a four-pronged approach.

First, price increases are being pushed through at an unprecedented rate, reinforced by a fall in competition (about 30 commercial line underwriters in the US dropped out of the market last year, several of them through insolvency) and a refusal of many companies to continue to offer lines where they see no prospects of profits.

Commercial malpractice premiums in 1985, for example, rose 47 per cent, and commercial car premiums by 39 per cent. General liability insurance went up by even more—a whopping 81 per cent—while medical malpractice prices were raised by 47 per cent.

Second, the industry is introducing widely a new form of "claims made" policy to replace the traditional occurrence-based coverage. The advantage of this change is to limit liability to claims to a specific period set out in the policy, so that the occurrence of an accident does not make the insurance company liable unless a claim is made at the appropriate time.

Third, the companies are excluding certain types of coverage entirely from their commercial general liability policies, particularly those covering pollution liabilities.

Uncertainty over environmental issues has been one of the industry's biggest headaches in recent years, when insurers have been hit by large and unpredictable claims for their use or production of hazardous materials — for example, asbestos, where health-related claims forced the Manville group into the bankruptcy courts.

Fourth, the industry is stepping up its efforts to push through reforms of the tort liability system in the hope of ending the rapid escalation of damages awards coming out of the courts. Some states are already establishing limits on some kinds of awards as a result, while the White House has put comprehensive reform proposals to Congress.

These moves to knock the insurance industry back into shape, however, may still leave the broader question of the future adequacy of insurance in the US unanswered.

Terry Dodsworth

How the top diversified insurance companies performed in 1985

	Revenue ($m)	%-change on year	Net income ($m)	% change on year
Aetna	18,612.1	+20.8	375.7	+194.2
Cigna	16,196.9	+ 9.6	(732.5)	n.m.
Continental	5,119.2	+10.3	61.3	− 79.9
American General	5,677.1	+ 5.9	508.4	+ 10.5
Fireman's Fund	3,350.0	n.a.	(44.0)	n.a.
St Paul Companies	2,671.6	+13.2	94.2	n.m.
Chubb	2,394.0	+17.7	70.5	− 15.0
General Re	2,123.0	+15.2	135.8	− 13.1
Safeco	2,164.9	+11.5	170.4	+ 40.9
Geico	1,219.4	+22.6	170.6	+ 29.9

Fund Managers

Happy figures hide gloomy truths

THE US investment management industry appears to be enjoying an unprecedented boom.

The inflow of investors' money into mutual funds, the most visible part of the industry, and growth in the assets under their management have exceeded in real terms even the records set in the late 1960s.

The fund management companies that have been publicly floated on a stock exchange this year, such as T. Rowe Price, American Capital Management and Research, a subsidiary of American Can, and Templeton, Galbraith and Hansberger (on the London market), have been rated on price-earnings multiples of around 20.

Similar multiples, which amount to around 5 or 6 per cent of assets, have been paid for many of the independent companies that have recently sold out to financial conglomerates.

The broad statistics, however, conceal several gloomier features.

First, the rapid growth of mutual fund assets, from $95bn in 1979 to $540bn in March 1986 has been due mainly to the growth of bond and income funds and short-term money market funds. The management fees are only between 0.3 and 0.5 per cent of assets, about half the rate for equity funds, whose share of total assets has fallen from 34 per cent in 1979 to 22 per cent. Over the same period the share of bond funds has risen from 17 to 31 per cent.

Second, much of the growth in money market and bond fund sales has come from institutional investors and thus represents merely a redeployment of assets within the industry. Institutions now own about 40 per cent of mutual fund assets, compared with only 10 per cent in 1960.

The main reason is that pension plan sponsors and trustees are no longer insisting that their assets be managed personally rather than through a pooled fund. According to Mr Stan Egener, of Neuberger and Berman Management, of New York: "Many sponsors are realising that the only attention their fund manager gives them is to look at their list of stocks in the elevator on the way to their quarterly meeting."

The two forms of retirement plans have been another important source of mutual fund sales over the past five years. However, the tax reform Bill now passing through Congress is likely to curtail many of the tax breaks that have boosted their growth.

Another gloomy development has been the diminishing inflow of money into traditional corporate pension plans, a consequence of demographic changes and the buoyant stock market over the past four years which has thrown up large actuarial surpluses.

Figures compiled by the Employee Benefit Research Institute show that the aggregate contributions of large pension plans fell by 15 per cent in 1983, 2 per cent in 1984 and a further 13 per cent in 1985.

Mr Dallas Salisbury, EBRI president, estimates that last year traditional pension plans received a net inflow of only $50bn to add to their assets of just over $1,000bn.

Some segments of the market remain resilient. Loomis, Sayles and Co., a Boston-based company which manages $17bn of assets, reports large inflows from state and municipal pension plans which are gradually diversifying away from bonds. Overseas equities, which account for only 2.5 per cent of pension plan assets, is another area with growth potential. The slide in the dollar has been adding weight to the theoretical case for overseas divesification.

The conventional US-oriented fund managers have found their fee levels under pressure. For large funds, the average is now about 0.3 per cent of assets. Many pension plan sponsors are calling for a change in the rules to permit performance-related fees to be charged.

Such trends have been exacerbated by the poor investment performance of the professionals. For three years in succession, from 1983 to 1985, the median fund manager has underperformed the US stock market (conventionally measured by the Standard and Poors 500 index) by considerable margins.

The managers were over-invested in high-technology stocks in 1983 and missed the surge in high-yielding, unglamorous stocks in 1984-85. Many stayed too heavily in cash last year and let the market run away from them.

One consequence of the poor performance has been a slowdown in the trading of stocks. The average turnover of a pension plan equity portfolio, after rising from 20 to 60 per cent between 1976 and 1983, has now stabilised at around 60 per cent.

A more serious consequence has been an upsurge in the popularity of passively-managed index-tracking funds which now have about $100bn under management. Wells Fargo, the California bank which pioneered these funds in the mid-1970s, saw its assets more than double last year.

It now has about $35bn in passively-managed equity and bond funds, making it the largest manager in the US, although its operation is so highly computerised that it employs only 90 people. For large funds of over $500m its fees can be less than 0.02 per cent of assets.

Clive Wolman

Corporate Finance

A pause in the takeover boom

WALL STREET'S mergers and acquisitions specialists are still totting up the bumper bonuses they have earned out of last year's amazing takeover boom when the value of deals rose by nearly half to some $180bn.

They are unruffled by the slackening of the pace so far in 1986, arguing that it could be only temporary, and that the apparent slackening of volume is exaggerated by the absence of last year's unprecedented sequence of multi-billion dollar megadeals. In a slightly smaller bracket the flow of transactions is still comparatively high.

"The economics of deals are in a state of transition," says Mr Jeffrey Rosen, head of international M and A at First Boston. He points out that with stock market prices up to 50 per cent higher than in 1985, stocks no longer sell at a significant discount to assets. But on the other hand the cost of capital is much lower.

"One of the reasons for the pause is that no one has sorted out how it should all wash through the system," he suggests, and he thinks there is a psychological factor: people just got worn out by the end of last year.

Mr Martin Siegel, a well-known M and A practitioner who recently moved from Kidder Peabody to Drexel Burnham Lambert, also expects a revival in activity. "As the market adjusts to lower oil prices and lower inflation, values will be recalculated," he considers.

Meanwhile, he points out that smaller deals carry proportionately higher fees; and there are many industries where a wave of consolidation is bound to involve many M and A transactions.

Mr Siegel points to the recent Burroughs/Sperry merger, the only recent megadeal, at some $4.5bn, as an example of rationalisation in the high technology sector. Similar restructuring is common in the troubled energy and banking sectors.

This theme is echoed by Mr John Haskell of Dillon Reed, who also points to restructurings in the tobacco and food sectors. "I don't think there will be a large decrease in activity," he says, adding that although the rise in the stockmarket has discouraged cash bids he expects the number of bids using paper will increase.

Moreover, there is scope for crossborder investment in the US by foreigners. The recent purchase of White Consolidated by Electrolux of Sweden was a case in point.

Mr Haskell thinks such bids could be encouraged by the fall in the dollar.

At First Boston Mr Rosen is also looking at the potential of foreign bids, which are now often bigger than before, having climbed into the $3bn range with the White deal.

The fall in the dollar has particularly increased the buying power of Japanese and German companies. He considers that Japan may become a significant source of M and A business in 18 months to three years' time, and First Boston plans to send an M and A team to Japan later this year.

Coupled with the opportunities for growth in Europe, Mr Rosen looks forward to what he describes as "a globalisation of the M and A product," with a general increase in the velocity of assets worldwide.

One of the few foreign experts in the US takeover game is Sir Gordon White, head of Hanson Industries, the US arm of the UK-based conglomerate Hanson Trust. He has been taking over US companies for some 12 years, culminating early this year in the bitterly fought but ultimately successful battle to buy SCM.

"I don't see any real decline in the number of takeovers in the US so long as you have people with money," he says. "And there's an immense amount of money available." The commercial banks, he points out, no longer hesitate to become involved in the financing of hostile takeovers.

But even in victory the costs of a US takeover battle can be immense. The total bill for the highly litigious Hanson-SCM struggle came out at $52m, of which Hanson's own costs were $12m. The other $40m was the defence bill awaiting it at SCM when it assumed control.

The availability of money may not be enough to sustain the pace of takeover activity. Most of the corporate raiders, such as Mr T. Boone Pickens and Mr Carl Icahn, who became famous over the past few years, have now faded from the scene.

The rise in stock prices has largely put an end to the undervaluation of corporate assets, which fuelled the raiders' activities in buying up companies and stripping their assets, or sometimes accepting "greenmail" for selling their stock and bowing out.

One group of operators who are still very much in the picture, however, are the so-called risk arbitrageurs who feed off takeover bids. They swelled noticeably in wealth and numbers during last year's M and A boom.

Some of them now have pools of money at their disposal which, when leveraged, can run into billions of dollars. The biggest of them, Mr Ivan Boesky, alone picked up a 10 per cent stake worth some $400m in Sperry Corporation in May this year. He appears to have made a useful profit when the bid terms from Burroughs were subsequently raised.

The willingness of US investment institutions to sell to the "arbs" during takeover battles, representing the passage of stock from long-term to short-term ownership, is a serious problem for corporations trying to defend their independence.

By the closing stages of the SCM battle some 80 per cent of the stock had moved into the portfolios of arbitrageurs. At that stage, barring some legal device or Government anti-trust intervention — the latter now being rare — the defence is doomed, whatever the industrial logic of the proposed takeover.

The amount of speculation about takeovers is now becoming a matter of public concern in the US. One of the commercial banks, Chemical, has moved to curb the activities of its arbitrage desk while the Securities and Exchange Commission has mounted several insider trading actions involving prominent practioners.

One of these, an action against Mr Dennis Levine, until recently a top M and A executive at Drexel Burnham Lambert, and previously at two other leading houses, has highlighted the network of gossip and speculation in and around Wall Street.

The number of leaks of takeover offers—as shown by telltale price movements ahead of the publication of terms—has reached scandalous proportions. The SEC's recent prosecutions can be seen as an attempt to clean up an increasingly murky M and A arena.

Barry Riley

Banks

A banner year, with the help of oil

GREAT pressures are reshaping the fragmented banking industry, leading some commercial banks deeper into the traditional territory of securities firms and the global capital markets while others jostle for advantage in the emerging interstate domestic market.

Mergers like Wells Fargo's $1.08bn acquisition of Midland Bank's Crocker National unit coupled with interstate acquisitions made possible by the changing state banking laws within the US are throwing up new "super regionals" with the capital and financial muscle to challenge some of the money centre banks.

Meanwhile, certain factors have combined to create a dynamic environment. These are: the rapidity of technological advance, financial instrument innovation, the completion of the process of interest rate deregulation, key court rulings on bank powers and geographic reach, and the shifting regulatory framework.

Not all banks are in a position to take full advantage of these changes. Many in the mid-West are struggling to contain the credit problems caused by sharply lower oil and commodity prices, while many of the majors face the threat of renewed liquidity problems among some of the oil-producing Less Develeyod Countries (LDCs).

But on the face o fit 1985 was a banner year for most US banks. Profits, capital and loan loss reserves have been bolstered and the collapse in oil prices will help most bank customers. Overall the 25 largest banks in the US have increased their capital base by $40bn in the past three years while charging off $138m in bad loans.

Loan loss reserves have been lifted from under 1 per cent of total loans to around 1.8 per cent.

Helped by declining interest rates and higher fee and trading income, profits of the 15 largest US banking groups—excluding the troubled BankAmerica and Continental Illinois, which is still in the "recovery ward" following its near-collapse in in 1984—rose 11.6 per cent to $4.97bn.

Among the 200 largest banking groups profits jumped 29 per cent and the key profitability measures, long decling because of thinner spreads, fierce competition and higher capital requirements, showed a welcome upturn.

But the banking landscape is dotted with exceptions. BankAmerica, the second largest UK banking group, posted a $33m loss last year and was forced to fight off an unwelcome take-over proposal by Mr Sandy Weill, American Express's former president, and the equally unwelcome attentions of its rival First Interstate.

Meanwhile, the banks in the southern-western energy-producing states of Texas, Oklahoma and Louisiana have been hard hit by the collapse in crude oil prices. While the assumption is that the US regulators will be able to handle a financial crisis among these banks, their problems have nonetheless cast a pall over the whole industry.

Prodded by nervous regulators, Dallas-based Interfirst and Houston-based First City Bancorp have both cut their dividends. Most of the Texas banks have announced big loan write-offs and some substantial losses. Even so most of the Texas banks have strong capital bases and larger-than-average loan loss reserves.

The bank regulators have also appeared ready to take a significantly more sympathetic approach to the problem banks. After the Continental Illinois near-collapse, bank regulators pushed up capital requirements, toughened accounting procedures and called for greater disclosure.

The "fallout" from the banking crisis in Middle America is already apparent. So far this year over 54 federally insured banks have failed and earlier this month Mr William Seidman, chairman of the Federal Deposit Insurance Corporation (FDIC), predicted that failures this year would rise to a post-depression record.

Mr Siedman, one of a new generation of Federal bank regulators, predicted that between 140 and 160 FDIC-insured institutions would be closed or require assistance this year compared with last year's post-depression record of 120 failures. There are now over 1,300 banks on the FDIC's "problem bank" list compared with 1,140 at the end of 1985 and 200 five years ago.

Similarly, the Comptroller of the Currency's list of nationally chartered banks with problems, stands at around 300, four times the number at the end of last year. Almost threequarters of these banks are in the Mid West and South West.

"It is an unfortunate fact that the current high rate of bank failures is expected to be with us for some time," said Mr Robert Clark, Comptroller of the Currency, in Congressional evidence last month.

The sheer pace of failures and the keen awareness that confidence in the banking system is a fragile commodity has forced the regulators to adopt easier accounting rules for insitutions which are considered to have a chance of recovering in the medium term while scrambling to put in place safety-net emergency legislation that would make it easier to arrange an out-of-state rescue for a failed or failing bank.

Mr Paul Volcker, the Federal Reserve Board chairman, said two weeks ago that such legislation was "urgently needed."

At the same time the regulators are seeking to refine bank capital adequacy rules by linking them more directly to risk. Proposed new risk-based capital adequacy guidelines — which would supplement the existing 5.5 per cent primary capital rule—were proposed by the Fed in January and described recently by Mr Gerald Corrigan, president of the New York Fed, as "the single most important supervisory initiative on the table."

The regulators believe the controversial proposed guidelines are necessary because of the rapid surge in off-balance-sheet commitments, particularly among the big money centre banks—which will get over 25 per cent of their earnings this year from investment banking.

The distribution of commercial paper by commercial banks and the "piecemeal deregulation" by legal loophole have led to renewed calls for Congress to act on a new and comprehensive banking bill.

Mr Volcker is among those sounding the alarm. In evidence to the congress earlier this month, he renewed his long-standing call for a Bill which, among other features, would amend the Glass-Steagall Act to allow bank holding companies to engage in underwriting and distributing municipal revenue bonds, commercial paper, mortgage backed securities and mutual funds while also closing the non-bank loophole.

He warned the Congress that "the safety and soundness" of the banking system could be eroded by continuing legislative delay and said: "Congress has the capacity to choose the kind of system that we are to have. The time to exercise that choice is now. You can refrain from action but that will not stop change."

Congressional failure to lead and a failure to create an orderly environment for the conduct of financial business "would have consequences that are both serious and real," he declared.

Paul Taylor

Commercial paper outstanding ($m, seasonally adjusted)

	All issues	Financial total	Dealer-placed total	Directly-placed financial	Non-financial companies
January 1985	245,322	172,814	59,713	113,101	72,508
February 1985	247,095	175,010	60,186	114,824	72,085
March 1985	250,575	178,924	60,895	118,029	71,651
April 1985	255,236	181,246	62,405	117,841	73,990
May 1985	258,943	181,257	61,282	119,975	77,686
June 1985	254,627	180,034	61,602	118,432	74,593
July 1985	262,769	186,141	67,419	118,722	76,628
August 1985	273,224	196,029	67,816	128,213	77,295
September 1985	271,760	201,705	69,904	131,801	74,854
October 1985	276,241	199,442	65,378	131,064	81,488
November 1985	288,648	202,769	71,191	131,578	85,879
December 1985	303,105	214,620	79,208	135,412	88,455
January 1986	302,160	213,632	79,048	134,584	88,528
February 1986	297,562	212,579	78,136	134,443	85,253
March 1986	301,110	219,581	84,071	135,510	81,529
April 1986	297,108	219,672	83,871	135,801	77,436

Thrifts

Record profits despite closures

US SAVINGS BANKS had their most profitable year in their history in 1985, which might come as a bit of a surprise given all the adverse publicity that some of the more troubled institutions attracted during the year.

Top Ten US savings institutions

	Deposits $ bn
Home Savings	19.5
Great Western	17.5
American Savings	17.4
Calfed	13.0
PSFS	13.0
Glendale	11.0
Goldome	9.7
First Nationwide	8.8
World Savings	7.6
Home Federal	7.4

Source: American Banker

Last year's run on the deposits of privately-insured savings banks in Ohio and Maryland sent tremors through the financial markets after state officials declared temporary bank "holidays" and thousands of depositors found that they were unable to gain access to their funds.

The mounting economic problems of the south-western oil states also caused a growing number of savings banks to close their doors; but these well-publicised failures masked the steady improvement in finances of most US savings banks.

Sharply lower interest rates and continued progress in restructuring their balance shets with new mortgage loan instruments that better match liability maturities means that many of the 4,000 savings banks have been doing well lately.

Although some institutions are still burdened with older, unprofitable fixed-rate loans, and complete recovery still has some way to go, this year looks like being a good one for most members of the US thrift business.

Shearson Lehman Brothers, a New York brokerage firm, notes that the stock market valuation of the 78 biggest publicly-traded savings institutions jumped by more than 50 per cent to $12bn. This is still small compared with other financial sectors but the fact that more and more sophisticated investors are prowling around the sector looking for undervalued assets is a sign that the industry is at last on the mend.

Mr Warren Buffett, for example, is a highly-regarded financier, who helped put together a rescue package last year for the 151-year-old Bowery Savings Bank in New York. In return for injecting $100m of new capital the group took control of the $5.3bn savings bank and has put in a new management team.

The Bowery is just one of several mutually-owned savings banks which have converted to public ownership so as to strengthen their balance sheet; and experienced people like Mr Buffett obviously believe that it is a good investment.

The American Banker, a specialised daily newspaper, noted last month that 52 per cent, or 155, of the top 300 US savings institutions are now publicly-owned. This compares with 32 per cent, or 96 savings banks, two years ago. Only 10 years ago less than 15 per cent of US savings institutions were owned by the public.

Some of the bigger companies like Great Western Financial Corporation or H. F. Ahmanson have stock market capitalisations of over $2bn, which makes them a lot larger than many commercial banks and gives them the financial muscle to diversify both into new types of business like mortgage banking and new markets, such as Florida.

While institutions like Great Western are building up a loyal following on Wall Street and are expected to pay an important role in the rapidly-changing financial services industry, the industry's regulators, led by Mr Edwin Gray, chairman of the Federal Home Loan Bank (FHLB) board do not underestimate the continuing structural problems within the savings bank industry.

A most urgent problem for the regulators is that despite falling interest rates, they are still expecting a record number of failures over the next few years. This threatens to bankrupt the Federal Savings and Loan Insurance Corporation (FSLIC), which insures deposits at most savings banks.

The FHLB has estimated that it might have to rescue more than 200 savings and loans, with assets exceeding $80bn, over the next three years. This could cost the insurance fund more than $25bn.

At present the Federal Insurance Fund is badly under-capitalised and the regulators are working on plans to inject up to $15bn of new capital into the fund. Under a plan now being considered by Congress, capital provided by the 12 regional Federal Home Loan Banks would be used to start a new company that would provide funds to FSLIC from the proceeds of certain debt issues.

In return, the regional banks would be given more responsibility for liquidating or merging troubled institutions.

FSLIC's funds have been depleted over the past few years by the need to pay off depositors in numerous failed institutions and regulators have been forced to delay liquidating several insolvent institutions because of insufficient capital. A year ago there were 88 thrift institutions with assets of $16.8bn yet having a negative net worth as defined under the more lenient regulatory accounting rules.

Based on Generally-Accepted Accounting Principles (GAAP), 461 institutions with assets of $111.4bn had negative net worth. Even though the interest rate environment has improved over the past 12 months analysts believe that the problem facing the regulators is still a big one.

The regulators have been hoping that changing the rules to let healthy financial institutions, such as commercial banks, buy into failing thrift companies would help to solve the problem. Citibank, which is more go-ahead than most of its peers, has done this to expand its geopraphical spread in several key states.

But many bankers are sceptical about the extent to which they can be expected to take over institutions with deep-seated problems in the absence of generous financial incentives.

Among individual institutions, the Financial Corporation of America (FCA) presents the regulators with one of their toughest problems. Although its top management team has been replaced, and its funding base stabilised after the run on deposits caused by news of its heavy losses two years ago, the FCA's problems remain substantial.

It needs a big capital injection and despite all the good intentions of the FSLIC, which has done all it could to nurse the group during its most troubled period, it is far from certain that a wealthy investor is going to appear and pump in the extra capital without receiving credible promises of a hefty return on the investment.

William Hall

Foreign Investment

Japanese move into takeovers

The deals are becoming progressively larger as the foreigners begin to build on established practices and develop confidence in their ability to survive in the market

IT WAS only a question of time before the Japanese pushed their way to the top of the league table of foreign investments in the US.

But in 1984, on the basis of the number of investments announced in the 12-month period, Japan emerged as the clear winner, well ahead of the UK and West Germany, the traditional leaders among the US's foreign investors.

The strong showing of the Japanese continued in 1985, and so far this year is just one sign of the enormous attraction the US market is exerting over foreigners at present.

While the numbers of overseas investments hit their highest point in 1979, at well over 400, they have been rising again steadily since 1982; and, more important, growing rapidly in size. Earlier this year, for example, Hanson Trust, the UK conglomerate, concluded a bitterly-fought takeover battle with SCM, the diversified typewriter-to-chemicals company, at a cost of around $1bn. And a few months later, Toyota, the leading Japanese car group, announced a $800m greenfield investment in Kentucky, to manufacture a new mid-sized car.

The 1984 figures demonstrate the main characteristics of the foreign investment drive. First of all, the leading countries involved in the US continue to be Japan, the UK, West Germany, Canada, France and the Netherlands. Japan, which had been steadily moving its way up the league table for several years, became the primary investor with a total of 87 transactions in 1984, against 56 from the UK and 46 from West Germany.

Second, the deals are becoming progressively larger as the foreigners begin to build on established practices and develop confidence in their ability to survive in the market. In 1984, for example, the purchase of only five US companies nearly equalled the total value of all foreign manufacturing investments in the US in 1979, according to the calculations of the Conference Board, the non-profit-making information and research organisation.

These five deals included the $1bn acquisition of Inmont by BHSF of West Germany, the $3.4bn spent by Nestlé on Carnation and Coopervision, the purchase of Scovil by First City Industries of Canada, and Beatrice's chemicals business by ICI of the UK. The total spent on these five amounted to around $5.6bn.

Third, the Japanese continue to favour greenfield sites rather than the acquisition of existing US companies — although they are beginning to look more favourably at purchasing.

The reason for this preference, which is not shared by European companies, is that greenfield sites give the Japanese greater control over the manufacturing operations in situations where they already have the market for the production fairly well under control. Europeans have more usually been buying both market share and manufacturing facilities, mainly because they do not have the technological lead demonstrated by the Japanese in several industries.

Where the Japanese are beginning to change towards a policy of merging with established US enterprises is in large-scale industries currently suffering deeply from world over-capacity. This trend is particularly evident in the steel industry, where Japanese companies are themselves now faced with serious competitors from developing countries, and are moving to protect their international positions by forming alliances with US companies rather than by trying to step up direct exports.

The largest transaction of this kind so far is the $292m purchase by Nipupon Kokan of a 50 per cent stake in National Steel. Nisshin Steel has also taken an equity position in Wheeling Pittsburgh, while Kawasaki has bought a partial interest in a Californian mill.

Fourth, foreigners are becoming more confident in tackling takeovers in situations where they may encounter opposition. This is evident in the growth in the size of the transactions to encompass target companies that are publicly quoted, or represent a significantly-sized division of a major corporation. But it was demonstrated to even more effect in 1985, when two European companies, Unilever and Hanson Trust launched takeovers, valued at around $1bn each.

Unilever failed in its $1.3bn joust, out-maneouvred by a more alert and aggressive Procter and Gamble. But Hanson went on to win a long-fought battle, setting several legal precedents on the conduct of takeover battles in the process.

At the same time, Sir James Goldsmith, the Anglo-French financier for a hostile and ultimately successful battle against Crown Zellerbach, a forest products company which had erected a solid defensive stockade against such a takeover.

Reasons vary from one country to another. But the two main points are the size and stability of the US market. Foreigners are highly tempted by the enormous sales volumes involved in the US in one continental market place, where it is possible to do business in a single language, without significant product differentiation between different geographical areas.

At the same time, the US's political maturity is a strong plus-point, following the round of debt crises in the Third World and continuing social unrest in much of Africa. Currency considerations also are a significant factor from time to time—the slide in the dollar over the last 12 months is, at this moment, beginning to have an effect on the price of some foreign products. While, for the Japanese in particular, US investment is a way around the unofficial quota system established in the motor industry.

The impact of the voluntary restraints on Japanese vehicle exports is illustrated in the particularly heavy investment schedules in the US, announced recently by both car manufacturers and their suppliers. Virtually all of the large Japanese car companies, and some of their truck manufacturers, now have production facilities in the US or are planning to build plants.

Japan's sudden rise to leading investment status in the US may also be partly due to the vigorous promotional efforts by several states to try and attract more foreign companies. Over the last few years, as Japan's industrial strength has turned the country into the US's most important overseas trading partner, almost 30 states have opened up offices in Japan to campaign for investment.

Many governors now visit Tokyo regularly. Consequently Japanese investment has spread steadily beyond the Californian littoral, where it first tended to lodge, moving up to Oregon and Washington, and out to the South and the Mississippi valley — the traditional farming territories of Georgia, the Carolinas, Tennessee, Alabama and Kentucky. All offer plentiful land and cheap labour forces, which frequently have virtually no trade unions.

While these southern, "sunbelt" states have emerged from virtual obscurity to carve out a place for themselves in the foreign investment game, New York and California, as befits their size, still dominate the lists. According to the Conference Board, New York captured 49 new investments from overseas companies in 1984, followed by California with 33, North Carolina (20), Georgia (17), Texas (16), and New Jersey and Illinois (15).

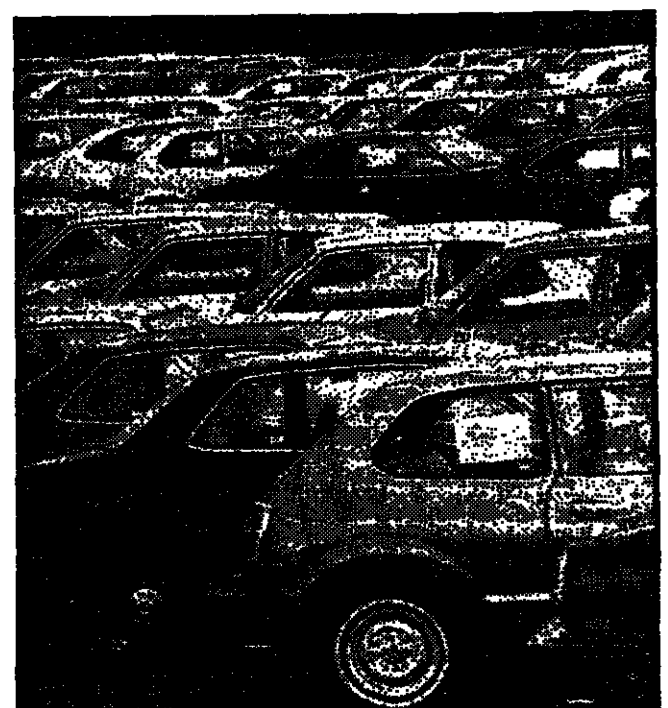
The most attractive industry for foreigners was chemicals, a sector which has faced a shakeout in the US, but which attracted 62 transactions involving overseas companies. This was followed by electrical machinery (45), non-electrical machinery (42), food products (25), stone, clay and glass (23), and transporation equipment (21).

Most states seem to believe that the investment surge from overseas will continue for some time to come, although prospects would probably change if the country went into a sharp recession—not a deeply held fear among economists at present.

Following in the steps of the Japanese, a new influx from the Far East is developing, in the shape of investments from Taiwan and South Korea. The South Korean companies of Gold Star, Hyundai and Samsung all now manufacture in the US. And the US remains, for the time being, a market where most of the developing international companies believe they have to have a significant presence.

Terry Dodsworth

Japanese car manufacturers have invested heavily in the US. Above: General Motors chairman Roger Smith and Toyota chairman Eiji Toyoda exchange pens after signing a deal, in Februnary 1983, to build a Japanese-American car in California. Below: imported cars in store at Aurora, Illinois



Securities Exchange Commission

Expansion in information vacuum

Growth of international trading is posing urgent problems for the SEC, which fears that operators will find it easy to escape into foreign jurisdiction

SENSATIONAL insider trading cases on Wall Street and elsewhere have pushed the Securities and Exchange Commission from relative obscurity back into the business page headlines.

The Washington-based regulatory agency could do with the publicity. For several years it has looked out of fashion, in an era of deregulation and budget cutting. Numbers have been trimmed back, senior staff have been lured into much more lucrative careers with law firms, and morale has suffered.

Economies have been made. For instance, the SEC no longer attempts to scrutinise as a matter of routine all the company registration documents filed with it, most importantly the 10K forms which public companies have to compile each year.

Yet all the signs are that regulation is needed more, not less. Recent prosecutions have come after a wave of presumed insider trading in the stock markets, as indicated by extraordinary trading activity and sharp price movements ahead of takeover offers and other major corporate developments.

And meantime the rapid growth of international trading of securities is posing urgent problems for the SEC, which fears that market operators will find it increasingly easy to escape into foreign jurisdictions in order to carry out prohibited activities.

Even at home, the proliferation of new products and instruments, and the increase in competition between markets, are posing problems, ranging from the distortions of so-called "program trading" to the competitive erosion of listing standards in areas like the voting rights of shareholders.

Mr Richard Ketchum, director of market regulation, is spending a good deal of his time on international regulatory issues. The SEC is under pressure to come up with solutions, because the markets are racing away with their own plans for international linkages.

"Already between 2m and 5m US shares are traded daily out of hours in the UK," says Mr Ketchum. "This figure could rise, because of investment by US securities firms in the London markets. But this is taking place in an information vacuum."

Recently the SEC gave a temporary go-ahead for a two-year pilot link-up between the over-the-counter market NASDAQ and the London Stock Exchange.

This was on the basis that it had been agreed that the SEC and the UK regulatory authorities would have access to shared surveillance information. But the SEC noted at the time that the UK had blocking statutes, and it indicated that it would not give approval to a permanent linkage unless the UK Government were to give assurance that the blocking powers would not be applied except in the most unusual of circumstances.

These international developments are having domestic consequences; for instance, in that the SEC is considering whether to challenge the restrictions on out-of-hours trading which the New York Stock Exchange imposes on its members—restrictions which could have the effect of encouraging the growth of overseas trading in US stocks.

A year ago the SEC issued a discussion paper on global securities trading, and received 30 submissions from commentators in six countries. The staff of the SEC are now at the stage of discussing the issues with the commissioners, but it could be some time before firm proposals emerge.

Officials emphasise that the SEC does not want to try to determine the structure of international markets. But it is concerned about customer protection, for instance in areas such as the exchange of information.

An important constraint is that the SEC is not in a position to negotiate treaties with foreign governments. It is looking for informal agreements, such as one it has already worked out with Canada. Its power lies essentially in its ability to withhold approval for rule changes by the bodies in the US which it regulates.

International problems have also loomed large on the enforcement side, where accounts or companies in countries like Switzerland or Panama are often used by people wishing to contravene US securities laws.

The SEC has now dropped the controversial "waiver by consent" principle, whereby it claimed that persons using US markets effectively made themselves subject to US laws.

But the enforcement division, now headed by Mr Gary Lynch, has had considerable success in forcing Swiss banks to divulge information. The US courts have taken a helpfully robust view of the penetration of US markets by secretive foreigners, and it has been possible to threaten unco-operative foreign institutions with damaging losses of privileges in the US.

But although a number of the actions have been successful, they have also often been expensive and long-drawn-out. In pursuing the headline-catching cases, the SEC may be tempted to neglect its more routine responsibilities.

Barry Riley

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday June 25 1986

Steyr-Daimler-Puch doubles its losses despite restructuring

BY PATRICK BLUM IN VIENNA

STEYR-DAIMLER-PUCH, Austria's troubled vehicles and weapons group, doubled its losses last year, the company announced yesterday. Losses rose from Sch 295m ($19m) in 1984 to Sch 618m ($40m) last year on slightly increased sales of Sch 15.3bn.

Initial results for 1986 suggests that the group is unlikely to show much improvement in its financial position this year. Mr Johann Feichtinger, Steyr's deputy director general, said that sales in the first five months of this year had declined by 17 per cent compared with the same period in 1985, with new orders also markedly lower than in the past year. He said he hoped that increased sales later in the year would help party to compensate for the poor performance so far.

Falling profits among Steyr's customers and excess capacities of suppliers had adversely affected the group, the annual report published yesterday says. Domestic sales also fell by about 8 per cent last year to Sch 5.6bn although foreign sales rose from 58 per cent to 63 per cent of turnover to Sch 9.7bn.

The results are a disappointment for Steyr, which last year started to implement a sweeping new programme of rationalisations and restructuring to overcome difficulties in its military vehicles and moped divisions.

The group has also faced a decline in international orders for trucks and tractors, and it recently announced that it would be laying off some 800 workers in addition to 700 workers laid off since the beginning of the year to cut costs.

The group faces a major reorganisation which will now have to be undertaken under a new managing board chairman and director general following the unexpected departure of Mr Rudolf Streicher, who was appointed to lead the group in January but who has now taken on the job of minister responsible for the nationalised industries following a government reshuffle earlier this month.

Semperit bounces back after asset disposal

BY OUR VIENNA CORRESPONDENT

SEMPERIT, the Austrian special rubber products group which sold 75 per cent of its tyre operations to Continental Gummi-Werke of West Germany last year, ended 1985 with a profit of Sch 251.5m ($15.9m), on sales of Sch 3.7bn compared with a loss of Sch 126.4m on turnover of Sch 10.7bn in 1984.

Dr. Hannes Androsch, chairman of Semperit's supervisory board and the chief executive of Creditanstalt Bankverein, which has a majority shareholding in Semperit, said he expected further improvements this year.

He said the new, slimmed-down group will seek to consolidate its position as a producer of specialised products. It now consists of four large-scale divisions and its production programme includes 50 per cent new products.

Investment last year reached a record level of Sch 178m and this provided the basis for a new expansionist policy for the group, he said.

Semperit Technische Produkt, the largest of the subsidiaries, which manufactures conveyor belts and specialised products including surgical rubber gloves, reduced its losses by about half from Sch 126.4m in 1984 to Sch 54.8m last year.

Paul Taylor charts the troubles of a cut-price airline

Why People Express nosedived

MR Donald Burr, the 45-year-old founder and chairman of People Express, built the "cut-price, no-frills" US airline into a $1bn business in five years by breaking most of the established rules.

But the airline's meteoric growth, which turned it into the fifth largest US carrier, may be over. On Monday night the airline, responding to a collapse in its share and Eurobond prices said all or part of the company might have to be sold.

The announcement sent People Express shares tumbling to a record low of $5.50 a share – valuing the group at a mere $193.5m – while other airline stocks soared, reflecting the hope that the latest round of price cutting may be over.

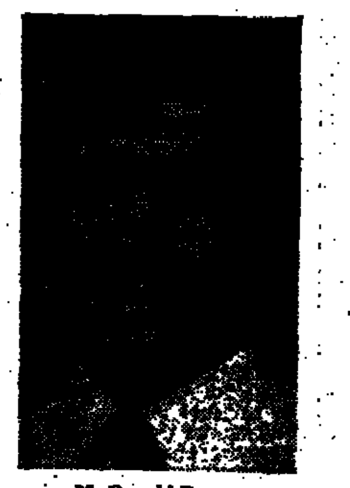
There is little doubt on Wall Street that People Express is in trouble and may not be able to survive as an independent entity. The carrier has been plagued by losses as it struggled to cope with recent acquisitions and rapid growth, and as its longer-established rivals learned to fight back with low fares of their own.

"People Express made a big splash, but they have never made any money. They have over-extended themselves," one analyst said.

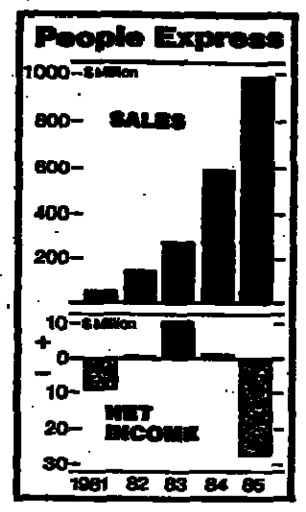
In the age of US airline deregulation, Newark-based People Express, which began operations on April 30 1981 with just three jets, seemed to many to epitomise the new order. Wages for the non-union workforce were low – but they shared in any profits – management was lean and aggressive, and most important, passengers paid bargain basement fares for a no-nonsense service.

Along the way Mr Burr was hailed as a hero by business schools and management gurus for his "humanistic" concept of a company in which every employee is an owner-manager. Admirers described him as a new-wave capitalist and an entrepreneur extrordinaire as he built the People Express empire.

Mr John Naisbitt, author of In Search of Excellence described People Express as a "reinvented corporation" while Harvard Business School students watched videos of



Mr Donald Burr



Mr Burr and debated the merits of the meritocracy he created.

But inside the company long-term problems were emerging. Already stretched senior managers – operating without secretaries – were beginning to tire of the workaholic corporate ethic and struggling to keep pace with rapid expansion. The workforce climbed to 3,500 and the aircraft fleet grew to about 125 jets serving more than 100 airports with over 600 daily flights.

Management confidence has been further eroded by management dismissals, resignations and the share price collapse. Insiders owning almost 30 per cent of the stock watched as the share price fell from almost $25 a share in September 1983 to under $10 a share in recent months after the airline announced a whopping $58m first-quarter loss following a $27m loss for the whole of 1985.

Passengers began to complain about lost baggage, delays and overbooking, leading some wags to re-christen the carrier People Distress. US Transport Department figures show People Express, which flew over 3.5m passengers last year, leading the passenger complaints table last year with 10.30 complaints per 100,000 passengers flown – more than double its closest rival, Pan Am.

To make matters worse People Express' basic low fare strategy appeared to be faltering as other carriers learned to match it by selective price cutting on a restricted basis. Early this year People Express tried a new tack, boosting fare prices sharply across the board. But when fares rose, business slumped.

The result was a dramatic collapse in load factors, which even for People Express, still the lowest cost carrier in the industry, meant serious problems. Last month its aircraft were flying under 54 per cent full compared with 66.9 per cent in April and 63.5 per cent a year ago. Last year the airline's break-even point was 62.4 per cent.

In response, People Express made another U-turn, cutting fares by almost 30 per cent a few days ago – taking fare prices back to their levels of a year ago. The load factor is thought to have sunk as low, at 40 per cent ahead of the latest cuts, but the airline claims they are already generating substantial new traffic.

There have been other problems. Last November the company appeared to abandon its internal growth strategy in favour of acquisitions. Over the next few months three regional carriers – Frontier Airlines, Britt Airways and Provincetown-Boston – were acquired.

The $307m Frontier acquisition in particular brought problems of integration. Initially People Express left Frontier to its own traditional strategy of offering first-class service, free drinks and all the other passenger trimmings. When Frontier became enmeshed in a fares war, People Express attempted to impose its own no-frills brand of air travel. The strategy backfired as customers deserted.

"It was a mess, it was a disaster," admitted Mr Burr recently. Frontier has since reintroduced first class service.

Until this week, Mr Burr had consistently denied that the carrier might be put on the auction block and is expected to do everything possible to avoid that option. Indeed it is not clear whether People Express would find any ready buyers.

The company insists that it has "sufficient resources" to meet its current obligations and executives say they remain hopeful about the airline – despite its current woes. But for the first time there is a real question over whether the darling of deregulation will survive in its present form.

National Medical sells 9 hospitals

By Roderick Oram in New York

NATIONAL Medical Enterprises, a leading US health care group, has sold nine of its hospitals to a number of other medical care groups for $120m and taken several other steps to improve its financial performance.

The Los Angeles-based group said the restructuring, which will result in a $53m fourth-quarter after-tax write-off, will help redirect it into more profitable areas of health care.

Norwegian bankers quizzed over role in Laly bid for Kosmos

BY FAY GJESTER IN OSLO

FIVE Norwegian banks, including two of the country's three largest, Christiania and Bergen Bank are being quizzed by the official Credit Inspectorate concerning their role in the recent, unsuccessful bid by Laly to acquire Kosmos, a leading Norwegian shipping, offshore and industrial group.

The task of the inspectorate is to see that the country's banks and insurance companies follow "sound" business practices.

Laly, an Oslo investment firm which is the vehicle of two local – and previously successful – corporate raiders, the brothers Wilhelm and Arne Blystad, borrowed extensively to finance its prolonged battle for control of Kosmos. In several cases, the banks that lent it money accepted as security the Kosmos shares which the Blystads were buying – often with borrowed funds.

The takeover attempt collapsed last month when the brothers could not service all their debts, and the banks began calling in their collateral. One of the casualties of the collapse was Trosvik, a shipbuilding and offshore fabricating yard in southern Norway where Laly had ordered a new drilling rig, which it then proved unable to finance.

When the dust cleared, about half of Kosmos's 12.3m shares were in the hands of banks which had previously lent the Blystads money. As well as Christiania and Bergen Bank, these were mainly ABC, a savings bank; Oslobanken, a new commercial bank established only a couple of years ago; and Rogalandsbanken, a regional bank based in the west Norwegian county of Rogaland.

These five have now been asked by the inspectorate, in a three-page letter, for the full facts about their involvement in the Kosmos Laly struggle. The information requested shows that the officials suspect the banks were imprudent in the extent of their lending to Laly and the Blystads.

Among other things, the banks are to detail their loans, guarantees, and overdrafts provided to finance the purchases of Kosmos shares, or with Kosmos or Laly shares as collateral; loans, guarantees and overdrafts granted to major shareholders in Laly; each bank's own holdings of, and dealings in, Kosmos shares; and the role they played in Laly's capital expansion last year – an unsuccessful issue which had to be largely taken up by the underwriting banks.

Meanwhile Laly is asking its shareholders to accept an 80 per cent cut in the par value of their shares to NKr 10 ($1.32) from NKr 50 at present. The shares have been suspended from trading on the Oslo stock exchange since late May, when the company had to relinquish its Kosmos shares to its creditors.

Laly also proposes to change its name – to Consent – and to seek shareholder authorisation to expand share capital by 50 per cent, after the write-down, from NKr 110m to NKr 165m. These proposals are on the agenda for the annual general meeting on June 30.

Christiania Bank has issued a statement denying that it ever lent any customer money specifically to finance the purchase of Kosmos shares. It says it granted each of the Blystad brothers an unsecured NKr 5m loan, to help refinance the troubled Trosvik yard. "These personal loans have not been repaid and the bank will probably have to write them off," it said.

In addition, Laly borrowed money from the bank, with Kosmos shares as security, to finance a building loan to Trosvik in connection with the rig project. This debt was not serviced and the collateral was called in. That left Christiania with a claim of about NKr 3m on Laly, since the market price of the shares, on the day they were taken over by the bank, was about that much less than the sum owed by Laly.

SCOTT PAPER FORESEES MARKET EXPANSION OUTSIDE US

Giving tissues hard sell in Europe

BY TONY JACKSON IN LONDON

SCOTT Paper of the US has plainly decided to go all out for the European tissue market. Its £80m purchase of the outstanding 50 per cent of Bowater Scott, the UK manufacturer of Andrex toilet paper and Scotties paper handkerchiefs, is only part of a European spending plan which looks likely to amount to several hundred million dollars.

Scott is a company with a patchy but improving earnings record. In recent years, it has moved from a defensive posture to a more positive strategy. Its two big priorities are the coated paper market in the US – now receiving $200m of investment on a new paper machine – and European tissues. Of the two, Europe if anything takes priority.

Mr Raymond Dinkin of Scott's international division explains the thinking. "Europe's consumption of tissue is low, but growing. Per capita consumption in the US is 15.2 kg a year in the home, whereas in the UK it's 3.3kg and in Spain 1.1kg. And whereas growth in the US is around 2 per cent a year, in Europe it's 4-5 per cent overall, and a lot more in the less mature markets like Spain and Italy."

Scott is already Europe's biggest producer of tissues, with sales running at around 430,000 tonnes a year, worth $800m. Next, Scott reckons, comes PWA of Germany, with nearly 200,000 tonnes.

Lower down comes the US producer Kimberley-Clark, whose strong position in the US market makes it the world's second biggest tissue maker after Scott.

Scott's theory is that geographical barriers in the tissue market are breaking down. Mr Dinkin says: "The traditional behaviour that regarded country barriers as the end of the world are starting to disappear. We can supply the south of France from Italy, the north of France from Belgium and Portugal from Spain. It's a question of the radius from the plant rather than of borders."

This, in turn, is expected to favour the big operator. "You can still survive as a small producer in a fragmented market", Mr Dinkin says. "But it's getting harder to match the big producer on price, and compared to 15 years ago the consumer is also demanding quality that the smaller company finds hard to match."

There may be a touch of optimism here. Bowater, which through the sale is moving out of European tissues altogether, says: "The cultural differences between European countries perhaps seem larger from here in London than from Philadelphia."

There is no doubt, though, that Bowater Scott's own UK operations have suffered from cheap imports, largely from Spain and Portugal. Indeed, the company's recent financial performance has been fairly wretched. Pre-tax profits last year of £6.2m on sales of £200m scarcely seem to justify a purchase price of £80m for half the business.

However, both sides point out that the past two years have been exceptional. In particular, Bowater Scott has spent heavily on bringing in new Scott technology to make base sheet for toilet paper which is at once stronger and softer. The company took advantage of the changes to bring in new converting and finishing machinery too, leading to some 600 redundancies from a workforce of 3,000

Now, Scott says, there is no reason in principle why the UK operation should not eventually match the operating margin of 10 per cent achieved by its tissue operations elsewhere in Europe.

In Belgium, meanwhile, Scott is to spend $60m on a replacement paper machine at Duffel, and is planning to spend up to $80m at a brand new site in France. In both cases, the French market is the target.

Scott's 10 per cent share of the French tissue market is well behind the 28 per cent share of Beghin-Say, the French producer. "That's our only number two position in Europe," Mr Dinkin says. "It's a very important strategic principle for us to have leadership, and the Duffel investment is the first part of our strategy to get it."

Next comes the push into the Portuguese market, which will be supplied from Scott's existing Spanish capacity, in the first instance at least. And simultaneously, there is much to be done in making the business more coherent across Europe.

"The key idea," Mr Dinkin says, "is moving from a series of excellent but independent businesses to an integrated European operation which can afford and employ better R & D and technology, and can afford to introduce new products."

INTERNATIONAL COMPANIES and FINANCE

IEL regains title to North BH stake

By Lachlan Drummond in Sydney

INDUSTRIAL EQUITY (IEL), Mr Ron Brierley's Australian investment vehicle has regained title to nearly 24m shares in North Broken Hill Holdings after a successful appeal against a February court decision which vested the 7 per cent stake in the control of the country's National Companies and Securities Commission.

IEL intends to move quickly to complete the previously agreed sale of 56m North BH shares to Rada Corporation and its controlling shareholder, New Zealand Forest Products, and to dispose of its residual holding of some 12m shares.

The three judges of the full Victorian Supreme Court overturned a previous decision by a single judge after finding that a technical deficiency had invalidated the notices served on IEL nominees in an effort by North to find the ultimate owner of the parcel which was ultimately vested with the commission.

The earlier court action had found that Swiss bank nominee had responded one day late to the notice and the judge had used this technical breach to hammer IEL for its concerted efforts to escape the effect of the notice.

North BH is not expected to appeal against the decision given the friendly relations established with its potential New Zealand shareholders, which have been offered two board seats.

● The NCSC said yesterday that proceedings would not be warranted against any parties involved in an arbitrage play which contributed to a 41.9 point drop to 1,126.2 in the Australian all ordinairies share price index on March 26, Reuter adds from Melbourne.

Overseas units lift Japan's brokers

BY YOKO SHIBATA IN TOKYO

OVERSEAS SUBSIDIARIES of Japan's Big Four securities houses far outstripped their parents in terms of profit growth in the half-year to March. This was in spite of the sharp rise in the yen over the period, which served to dampen the earnings advance when translated from local currencies.

Combined pre-tax profits from the overseas units of Nomura, Daiwa, Nikko and Yamaichi totalled Y45.4bn ($270.4m) in the six months—26 per cent more than the result for the whole previous financial year.

The performance was attributed largely to a rapid increase in purchases of US Treasury bonds by Japanese institutional investors, and Eurobond issues by Japanese companies. New York and London subsidiaries provided a major spurt.

Aggregate pre-tax profits at the US subsidiaries jumped by 6.8 times from the previous first half to Y8.36bn. The US offshoots, previously regarded as lame ducks because of their poor profits record, have become the most profitable overseas outlets after London. This is thanks to trading profits from bonds, which jumped by eight times to Y6.88bn.

Brisk new issue business in Euroyen bonds boosted commission income for the London subsidiaries of the four brokers. Combined pre-tax profits at the London units showed 2.7-fold increase to Y19.39bn, or 1¼ times the level for the whole previous year.

The brokerage houses' London units have been shifting their stress towards underwriting business in Eurobonds for US corporate borrowers

Daiwa's Swiss subsidiary made a strong contribution, but in general, Swiss and West German business was lacklustre as Swiss franc and D-mark straight and convertible bonds were outstripped by Eurodollar warrant bonds.

The brokerage houses all plan to open representative offices in Milan in the current financial year—the Italian market is among those newly offered to investment by Japanese funds.

For the remaining half-year to September, the four are pursuing efforts to establish a full London-New York-Tokyo financial axis. They are actively recruiting staff on Wall Street. For example, Nikko has doubled the number of employees at its New York subsidiary from 62 to 124 in the past six months.

The Nomura complement is being raised from 190 last August to 330 by this September, and the brokerage houses are eager to be granted primary dealership status for US government securities in the current year.

Bringing round-the-clock trading a step nearer, Nomura is planning to establish a computer centre in New York to manage bond and stock trading, with the initial cost estimated at some Y2.5bn. Nomura plans to set up a similar computer centre in London by autumn 1988.

Colosseum Gold Mines $80m flotation due shortly

BY KENNETH MARSTON, MINING EDITOR

THE $80m (£53m) flotation of Colosseum Gold Mines, which has US gold mining prospects, is due to be made shortly. The newcomer results from the reconstruction of a North American shell company, Nickel Rim Mines, in which an interest of 11.2 per cent is held by the Ausralian partnership of Regent Mining and Grants Patch Mining.

Colosseum Gold Mines is to acquire from the Australian companies a 75 per cent stake in the Colosseum gold property in San Bernadino County, California, for $18m.

The open-pit property, which could be in production next year, holds a 8.76m tonnes of mineralisation grading 2.7 grams gold per tonne, with an output potential of 70,000 to 77,000 oz gold per year.

Colosseum Gold Mines also has an option to acquire for $15.1m a 27.95 per cent interest in the Greens Creek proposed underground gold-silver-zinc-lead operation in Alaska. The interest would be acquired from British Petroleum's Amselco Minerals subsidiary which would keep a 51 per cent holding.

Ore reserves so far outlined at Greens Creek amount to 3.7m tonnes grading 5 g gold and 800 g silver per tonne with 10.8 per cent zinc and 4.2 per cent lead.

Colosseum Gold Mines shares are being placed at $7 per share with US and European institutions.

● Australia's Balmoral Resources is to acquire for A$6.7m (US$4.6m or £3m) cash, plus vendor shares and options, gold prospects in Victoria and exploration licences for gold in New South Wales and the Northern Territory.

Rheem Australia ahead as demand holds up well

BY OUR SYDNEY CORRESPONDENT

RHEEM AUSTRALIA, the packaging, hot water systems and consumer durables group which is two thirds owned by Broken Hill Proprietary (BHP), increased net profits by 27 per cent to A$23.14m (US$15.84m) in the year to May.

Sales were 15 per cent up at A$510m. The company said demand for appliances had held up well for most of the year while water heater sales were well ahead.

Its container division performed strongly with sales of gas vessels, tanks and fabricated products in particular all well above the previous year.

In the packaging division, sales to the rural sector slowed in the second half. Overall profitability of the division was seen as satisfactory, given that it suffered some dislocation with the introduction of new plant in flexible packaging.

The directors said its soft drinks business had a particularly good year

The latest profit came after tax of A$18.8m compared with A$15.5m. The dividend is being lifted from 16 cents to 17.5 cents a share, with a one-cent increase to 10 cents for the final payment.

Net profits slip at Elbit Computers

By Lynne Richardson in Tel Aviv

ELBIT COMPUTERS, a leading Israeli computer and defence electronics company, boosted consolidated sales 12 per cent, from $150.2m to $169.4m, in the year to March.

After-tax earnings declined, however, from $18.9m to $18.2m, which Elbit attributed to the application of income tax for the first time by the Israeli Government. Elbit also benefited last year from $38m in government subsidised loans and grants.

Elbit—shares in which are traded over-the-counter—specialises in defence-oriented electronics, including avionics and weapons control systems. Exports represented 55 per cent of last year's sales, going mainly to the US and Western Europe.

Mr Emmanuel Gill—who took over recently as president and chief executive following the appointment of Gen Benny Peled as head of Elscint, a troubled sister company—said the substantial increase in exports recorded last year "reflects the company's objective of strengthening its position in international markets.

Elbit, ranked among the top 20 Israeli companies in terms of sales, is a subsidiary of Elron Electronic Industries of Haifa.

San Miguel deal abandoned

By Our Financial Staff

SAN MIGUEL, the Philippine food and beverage group, has confirmed that it is not to proceed with a plan to sell its Hong Kong brewery to Anheuser-Busch of the US.

The decision follows a dispute over control of San Miguel in Manila, and a failure to agree final terms with Anheuser.

Zilkha buys 5% of US textiles group

BY WILLIAM HALL IN NEW YORK

MR SELIM ZILKHA, former chairman of Mothercare, the UK retail group, who has moved his base of operations to Los Angeles, has bought a 5 per cent stake in J.P. Stevens, one of America's biggest textile companies.

Mr Zilkha has disclosed in a filing with the US Securities and Exchange Commission (SEC) that he holds 875,000 common shares in Stevens, a New York-based company, which has been undergoing considerable restructuring in recent years. He bought 300,000 shares between April 30 and June 13 at prices ranging from $30.25 to $34.625 a share.

Mr Zilkha says he bought the shares because he thinks they are undervalued. He intends to communicate with Stevens officials and others about the company's operation, finances and opportunities to increase shareholder value.

In its last financial year to November 2, J.P. Stevens reported a $15.5m loss on sales of $1.7bn, after charging off $73.9m after tax to cover write-downs on sales of assets and other reorganisation costs. In the first six months of the current year, the company earned $19.8m or $1.13 per share, on sales of $828.9m.

Since he left Britain, Mr Zilkha's business fortunes in the US have not been a great success. One of his first ventures, Towner Petroleum, was forced to file for Chapter 11 in 1984 and has just emerged from the bankruptcy courts.

Georg Fischer looks for further advance

BY OUR ZURICH CORRESPONDENT

GEORG FISCHER, the Swiss engineering concern, expects a further improvement in corporate results this year, according to the prospectus for a 2.75 per cent warrant bond issue of the Schaffhausen-based parent company.

Last year, company profits rose from under SFr 400,000 ($217,000) to nearly SFr 9m, permitting the resumption of dividend payments at a rate of SFr 25 per share.

Group-wide, consolidated turnover had improved from SFr 1.75bn to SFr 1.92bn and earnings from SFr 5m to SFr 25m.

For the current year, the board reports a continued good demand for capital goods on European markets, particularly from West Germany.

Although conditions are said to have become more difficult outside Europe, new orders for the group were up by more than 10 per cent in the first five months and production units report good levels of employment.

German retailer hopes to halve loss

By David Brown in Frankfurt

HERTIE, the West German department store chain, hopes to halve its losses from the DM 91.7m ($41m) deficit in 1985 – as a result of its current rationalisation scheme – and expects to return to profit by 1987.

The group said turnover in the first five months declined by 2.5 per cent to DM 2.25bn because of several department store closures, and that a much-heralded upturn in German consumer demand did not make itself felt in its retail sector until May.

It has decided on the shutdown of 15 department stores, employing 2,800 people, as part of a dramatic reshaping process, now underway, which will shave some DM 620m off annual turnover.

The units were responsible for a combined DM 300m loss since 1978.

The management will take measures to focus its products selectively on individual markets, to rationalise its buying programme and to cut head office costs.

It also hopes to increase the amount of department store space leased to outside companies.

The management has no plans for further closures in the Hertie division, although it will now seek to restructure its low-price Bilka chain, which lost DM 6m on a turnover of DM 478m last year.

E. Merck will offer first public shares

BY JOHN WICKS IN ZURICH

WORKING through its Swiss holding subsidiary, the family-owned German chemical group E. Merck is to make its first public share offering.

The Zug-based holding company Merck AG is to raise SFr 120m ($65m) by the issue of 200,000 new priority bearer shares, each with a face value of SFr 100 and priced at SFr 500. At the same time, 100,000 further shares have been subscribed by Union Bank of Switzerland and are to be reserved for future convertible and warrant loans, placements or other "purposes in the interest of the company."

The priority shares have a right to an 8 per cent dividend before any dividend is paid to holders of registered shares. However, E. Merck's managing partner, Dr Hans Joachim Langmann, said in Zurich yesterday that he expected a dividend of some 14 per cent on bearer shares for 1986.

The Zug company, which holds almost all Merck's participations outside Germany, has hitherto been owned by Von Glenck, of Altdorf.

This second Swiss company is itself almost a 100 per cent subsidiary of the German family holding Merck Beteiligungen.

Dr Langmann explained that the Zug company's international commitments meant it now needed adequate capital of its own and added that its financial requirements could no longer be met by constant injections from Von Glenck and Merck Beteiligungen.

Merck AG plays an important role within the German group, almost three-quarters of whose turnover is made outside the Federal Republic. Last year the Merck group reported consolidated sales up by 9.2 per cent to DM 3.29m ($1.48bn), including consolidated world turnover of Merck AG of SFr 1.54bn.

Group profits were higher by almost 60 per cent in 1985 at DM 132.5m. Dr Langmann stressed the important contribution of foreign subsidiaries. This was, he said, reflected in a jump in Merck AG earnings by more than 81 per cent to SFr 75.8m.

Strong gain for Corning Glass

CORNING Glass Works, the US specialist glass maker, lifted second-quarter operating net earnings to $53m from $42.1m, or to $1.24 from 99 cents a share.

Revenue was up at $448m against $425.5m.

For the half-year to June 15, operating net profit was $88.7m compared with $69.4m, or $2.06 against $1.64. Sales were $870.5m,

In the latest six months, there was a tax credit of $6.9m, or 16 cents a share, which made the final net $95.6m or $2.22.

In the first half of the previous year, a tax credit of $3.8, or 9 cents, and a credit of $20.1m, or 47 cents, from a change in accounting methods, made the final net $99.3m or $2.20.

Washington seeks treaty to discourage multi-billion dollar drug trade

Panama pressed on bank secrecy

BY ROBERT GRAHAM RECENTLY IN PANAMA CITY

BANK SECRECY is an article of faith in Panama. The country's policy of non-disclosure has been the principal factor behind Panama City's development of offshore business over the past 15 years.

This policy is now under strong pressure from the US authorities who maintain that Panama's banking secrecy permits large-scale laundering of money, especially drug generated funds or "narco-dollars." At all levels from the government and opposition parties to the bankers themselves there is strong resistance to any change in policy, fearing this might permanently damage Panama as an offshore centre.

Banking and related financial services employ some 9,000 people and the sector accounts for over 8 per cent of GNP. In an economy otherwise dependent upon the operation of the canal and the expenditure of the US military, the health of banking is of vital importance. Thus Panamanians do not rush quickly to moral indignation over accusations that their bank secrecy is being used to launder money.

"In a church collection, no one checks to see whether money has been deposited by a nun or a prostitute: why should we check with our depositors?" commented one prominent banker when challenged over the abuse of bank secrecy.

The Reagan Administration believes that the multi-billion dollar drug trade can at least be discouraged by making it harder to launder money through Panama. In public no figure has been given on the extent to which Panama is being used since much of the evidence is supposition. However, privately US officials accept that at least $500m of illegally generated drug funds pass through the Panamanian banking system each year.

As a first step, the Reagan Administration is pressing the Panamanian Government to accept a treaty that would permit an exchange of information. Those concerned with the negotiations insist that Washington is not trying to damage Panama as an offshore centre. Rather they want to establish a procedure whereby confidential information can be handed over on presentation of irrefutable proof of money laundering.

Such an agreement now exists with Switzerland. There is a similar arrangement with Britain over its dependency, the Cayman Islands, and last month the Bahamas government indicated its willingness to discuss a treaty, reversing previous reluctance.

Reluctant to concede

Senior members of the Panamian Government like Dr Ricaurte Vasquez, the Planning Minister, are adamant that the country accepts the US desire to stamp out the drug trade. However, they are reluctant to concede the principle of a treaty.

They believe the pressure comes as much, if not more, from the US Treasury than from the Drug Enforcement Agency, with the basic US concern centring on fiscal evasion. "It would be very difficult to stop this type of treaty arrangement extending into the fiscal area, and once that happened, it really would damage confidence in Panama as an offshore centre." said one Panamanian official.

Since Panama operates a dollar economy, and is without a central bank of its own, old notes and excess liquidity are returned to the US. Part of this excess liquidity is believed to reflect the scale of money being laundered in Panama. Since 1979 the task of returning these notes has been taken over from Chase by the semi-official Banco Nacional de Panama. In 1984 $1.1bn was returned to the Federal Reserve and since then the figure has not varied very much.

Panamanian officials say this indicates that the flow of laundered funds has thus been held down. However, it is understood that the Fed has been imposing strict limits on the supply of new notes shipped to Panama.

The Reagan Administration is coy over how much pressure it is willing to put on Panama, given Washington's strategic interest in the canal. The Panamanians have made only one concession: the Banking Association has enjoined members not to accept deposits of more than $100,000 in cash from unknown customers. However, the measure is self-policing among the 10 foreign and Panamanian banks.

The major international banks, all present in Panama, recognise it is in their interests to be rigorous and believe that inspection and control by the banking commission could be tightened. Last year the authorities revoked the licence of a foreign owned bank, the First Inter-Americas Bank, the assets of which totalled £28m. Among the objections subsequently raised about the bank's activities by the authorities was unexplained excess liquidity.

The government of President Eric Arturo Delvalle seems well aware of the risks of a tarnished image. But alternations in the 1970 laws that enshrine secrecy would probably be an act of political suicide—even with the tacit support of the powerful military establishment (which is currently against any change).

Business reduced

Furthermore these are lean times for Panama to embrace banking reforms. The recession in Latin America and the continuing debt crisis have sharply reduced overall business. Traditionally Panama has been used as a booking centre for Latin American loans. Eight out of every 10 dollars lent is to Latin America. The debt crisis has meant a drop of 20 per cent in offshore lending to $17bn.

Last year the decline in the level of total banking system assets was halted. Assets rose by 2.5 per cent to $31.5bn. This reflected some precautionary withdrawals by Latin American banks of their US-based deposits on fears of possible freezing in the event of debt defaults. It also represented a modest upswing in the $3bn business of the Canal Free Zone.

These leaner times have led some banks like Bank of America to reduce their profile or hold back on expansion plans. In the short term no one envisages anything other than a modest increase in business. But these prospects are weighed against the continuing advantage of a presence in a dollar-based centre which is strategically located, has a pool of experienced and bilingual staff, enjoys tax haven status—and extols bank secrecy.

Midland offers Break-forwards and Scouts

BY OUR FINANCIAL STAFF

TWO NEW treasury products which Midland Bank claims mark the start of a "third generation" were launched yesterday by its investment banking subsidiary, Midland Montagu Investment Banking.

The products combine features of the first generation (spot and forward foreign exchange) and second generation (futures, options, swaps, caps, floors and collars).

One, the "Break-forward," combines features of the forward foreign exchange contract and currency options. It is a forward contract which can be unwound at a rate previously agreed between a customer and the bank. This enables the customer to lock in a rate, but to break it if the market moves in his favour. Unlike options, there is no premium: the cost is built into the fixed rate.

The other, the "Scout" (shared currency option under tender) is a currency option designed for cases where several companies are tendering for the same contract in a foreign currency. To save all of them having to hedge themselves against unfavourable currency movements, the Scout enables them to share the cost of a single option.

Mr Ernst Brutsche, chief executive of group treasury at Midland, said the products had been developed in response to corporate demands and persistent volatility in the currency markets, which he expects to continue.

• Singapore International Monetary Exchange is expected to start trading a sterling futures contract next Tuesday, the fourth contract under its link with the Chicago Mercantile Exchange. The Singapore contract would be identical with that in Chicago, allowing traders a choice of exchanges and time zones, Chicago Mercantile said yesterday.

Five-year Euronote financing for Amatil

By Our Euromarkets Correspondent

Amatil, the Australian tobacco and beverage concern which is 40 per cent owned by BAT of the UK, has mandated County NatWest Capital Markets to arrange a $125m, five-year financing in the Euromarkets.

Under the deal, Amatil will be able to sell Euronotes through a tender panel auction system. Underwriting banks will receive an annual facility fee of 9 basis points, though up to half the facility can be held in reserve for a lower six point fee.

Drawing on the accompanying standby credit will bear interest at a margin of 7½ basis points over the London interbank offered rate (Libor) with an additional utilisation fee of 5 basis points if up to half is taken and 7½ points on larger amounts.

Meanwhile, Ambassador Capital Corporation, a company set up to buy credit-card receivables from Trans World Airlines, is arranging a $75m facility through Merrill Lynch.

The two and a half year deal will allow Ambassador to finance the receivables through the sale of Eurocommercial paper bearing a margin of ½ per cent over London interbank offered rates (Libor). Underwriters will receive an annual facility fee of ¼ per cent.

Part of each drawing, amounting to a minimum 10 per cent, will be funded by participating banks. In the event of Ambassador being unable to redeem paper issued, for example because of late credit card payments, the bank advances will be converted into a revolving credit carrying interest at 60 basis points over Libor for the first 90 days and rising in stages to 85 basis points.

The deal is effectively a restructuring of an earlier facility for TWA which was secured against aircraft. The new operation takes the receivables off TWA's books and lenders have no recourse to the company.

Loan support programme for Arlabank

By Our Financial Staff

ARLABANK, the Arab Latin American consortium bank, has secured an agreement from its shareholders to provide a $250m loan support programme, of which $450m is earmarked by the bank for commitment immediately.

An initial $225m tranche will be drawn down in October, although this will be used in part to retire an outstanding $100m drawn from a previous $300m shareholders' standby facility provided to Arlabank in 1983.

The latest programme was announced yesterday following an extraordinary meeting last Saturday in Bahrain, where Arlabank — originally Peru-based — now has its headquarters.

Mr Abdulla Saudi, the bank's chairman, tacitly acknowledged past fears about the bank's exposure to the South American debt crisis and the Gulf recession. "There can no longer be the slightest concern regarding Arlabank's financial strength," he said.

The new credit facilities carry a five-year term extendable to 10 years. If treated as shareholders' funds, disbursement of the first tranche would have the effect of reducing its ratio of loans to equity to 2.4 from the present 4.3.

Philippine telephone group raises $100m

By Samuel Senoren in Manila

PHILIPPINE Long Distance Telephone Company (PLDT) is raising $100m from a US banking syndicate to finance its share in the cost of a transpacific optical fibre project which it is jointly undertaking with three other communication companies.

PLDT is the Philippines' 10th largest company with revenues of 4.8bn pesos ($222m) and net income of 779m pesos in 985. It is negotiating with the US Eximbank to provide the loan and guarantee up to 70 per cent of its financing requirement. The remainder is being raised from commercial banks led by Chase Manhattan.

The company had encountered problems obtaining the full amount of the loan from commercial lenders because the Philippine government was not inclined to guarantee the loan.

The monetary authorities are wary about providing government guarantees on new private sector loans. This follows their obligation to assume a substantial amount of private debts which were guaranteed by the administration of the deposed President Ferdinand Marcos.

Fixed-rate sector sluggish but floaters well received

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

INTERNATIONAL BOND markets were yesterday dealt a further sharp reminder of the contrast in mood between a sluggish fixed-rate sector and buoyant demand for floating-rate notes. Two new FRNs totalling $225m met strong demand while a crop of new fixed-rate paper aroused little interest.

First off the mark in the floating-rate sector was Alaska Housing, a US savings and loan institution, which launched a $125m, 15-year deal bearing interest at 10 basis points over the six-month London interbank offered rate (Libor) through Kidder Peabody and Industrial Bank of Japan.

Priced at 100.10, the deal is collateralised to just over 100 per cent by holdings of US government agency securities and backed to 25 per cent through a letter of credit from Industrial Bank of Japan. Helped partly by this collateral, it traded around its issue price.

Also well received was a $100m, five-year issue for Vereins- und Westbank, the Hamburg based institution which is 25 per cent owned by Bayerische Vereinsbank. This deal is led by Credit Suisse First Boston and bears interest at a margin of 2½ basis points over six-month Libor. Issue price is par.

Separately Vereins-und Westbank offered, through CSFB-Effectenbank $25,000, two-year warrants to buy into a seven-year Deutsche Mark issue carrying a coupon of 6 per cent.

CSFB-Effectenbank did not disclose the amount it paid for these warrants but they were trading yesterday in the market at about DM23. The proceeds will help reduce the cost to the bank of the floating-rate note to a level below Libor and, with German interest rates now apparently bottoming out, Vereins- und Westbank is clearly happy with the prospect of issuing 6 per cent paper in D-Marks.

The fixed-rate markets presented rather a sorry tale as investors are confused over the trend of interest rates. Business continues therefore to be mainly professional with little final demand from investors. Corporate names have long since lost their appeal in the dollar sector, but even a supranational issuer like the Council of Europe was not able to arouse much enthusiasm with a $100m, 10-year, 8 per cent issue launched at 100¼ per cent through Chase Manhattan. Dealers said the terms were tight.

Nor was the situation much better in high coupon sectors like those for Australian and Canadian dollars where a recent window for issues prompted an immediate oversupply. New issues in both markets were struggling yesterday. Both led by CIBC they were an A$50m, five-year bond for Canadian Imperial Bank of Commerce and a C$75m, five-year deal for Montreal Trustco. The first bears a 13 per cent coupon and a 101 issue price, the second carries interest at 9¼ per cent and is priced at 100¾.

Canada launched a Y80bn, seven-year 5¼ per cent Eurobond at 100¾ per cent through Nomura International. This is an unusually large bond for the Euroyen sector, though Canada also issued a similar-sized, five-year deal in February. That issue is now established as a benchmark in the five-year maturity range and the hope is that the new one will provide a similar injection of trading liquidity for seven-year maturities, though it made a slow start in the primary market.

Among other new issues yesterday, Nissan Motor launched an Ecu 100m, 10-year bond at 7¼ per cent through Banque Nationale de Paris. Issue price is par. Banque Continentale de Luxembourg offered LFr 300m of five-year 7¾ per cent bonds at par through Banque Paribas (Luxembourg).

No new foreign issues were reported in the German bond market, which traded unchanged to slightly lower. The Federal Post Office launched a DM 2bn, 10-year domestic loan at a coupon of six per cent and a par issue price.

FTSE fund from Foreign and Colonial

BY OUR EUROMARKETS CORRESPONDENT

FOREIGN AND COLONIAL Reserve Asset Fund of the UK has launched what is believed to be the first UK stock index fund, using the FTSE 100 index.

The stock index fund, which will invest in the index futures traded on the London International Financial Futures Exchange (Liffe), will add a new option to investors in the fund which has grown to some $60m since its inception 18 months ago.

Foreign and Colonial believes that the use of the index fund will enable investors to track the equity markets while continuing to receive income in line with bank deposits.

Earlier this year it launched a US stock index fund based on Standard & Poor's S&P500 index.

Foreign and Colonial has also received a London listing for its fund which should broaden its appeal to investors.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on June 24

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

* No information available—previous day's price. † Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; EBC Amro Bank; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; LTCB International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Swiss Bank Corporation International; Wood Gundy.

Kenneth Gooding on the recovery at the Dutch truck maker

Daf returns to smoother running

DAF of the Netherlands expects to boost commercial vehicle production by about 11 per cent, from 14,382 to around 16,000 this year. Profitability will at least match the 1985 level, and probably be higher, says Mr Aart van der Padt, chairman of the management board.

The company, one of Europe's medium-sized heavy truck producers, fell into loss in 1983 but more than doubled net profit to Fl 20.4m ($8.06m) last year, from Fl 9.7m.

The healthier financial climate has helped take some of the pressure off the Daf management team as it looks for ways to ensure survival as an independent company in the 1990s.

Another important element in the management confidence is that two years ago Daf was able to put together a Fl 600m financial package to cover a six-year product renewal programme and investment in advanced production methods.

However, Mr van der Padt says the company is still actively seeking more co-operative deals on a wide range of key components such as engines, axles and transmissions, to gain advantages of economies of scale available to bigger rivals.

Daf is also near to completing the formalities of its deal with BL for the distribution and servicing of the UK group's Sherpa heavy vans and Roadrunner light trucks in Continental markets.

Some cosmetic changes will be made to the vehicles to make them distinctive from the BL versions. They will bear Daf badges and help strengthen its network by giving dealers vehicles to complement the Daf trucks which are mainly above 15 tonnes gross weight.

Mr van der Padt met Mr Graham Day, the new BL chairman, recently for discussions about the joint venture—which is equally important to the state-owned UK group.

Daf's venture with another state-owned company, Enasa of Spain, for the joint development and production of a cab for trucks over 14 tonnes is on schedule, reports Mr van der Padt.

He also hopes the so-called Club of Four joint venture for medium-truck cabs shared between Daf, Volvo of Sweden, Iveco of Italy and Renault of France, will ultimately be extended to include a new co-operative cab.

Mr van der Padt suggests that the members of the partnership might well change at that point with perhaps Volvo dropping out and other companies joining the Club.

He stresses, however, that the current Club cab "is still well-suited to today's market" and replacement is some way ahead.

The group was approached, like nearly every West European heavy truck group, by General Motors which has been seeking a partner for its Bedford subsidiary in the UK. But "they offered nothing of interest to us."

Daf no longer feels threatened by outside predators. A 37.5 per cent shareholding previously owned by International Harvester, now called Navistar International of the US, was put up for sale when the American group ran into major financial difficulties. This was picked up in 1984 by a Dutch consortium.

The consortium included Daf itself, the van Doorne family trust (Hub and Wim van Doorne founded Daf in 1928), the Netherlands Investment Bank and the state-owned Dutch State Mines. This increased the involvement of the Dutch Government in Daf because the State Mines already had 25 per cent. The van Doorne trust had 37.5 per cent.

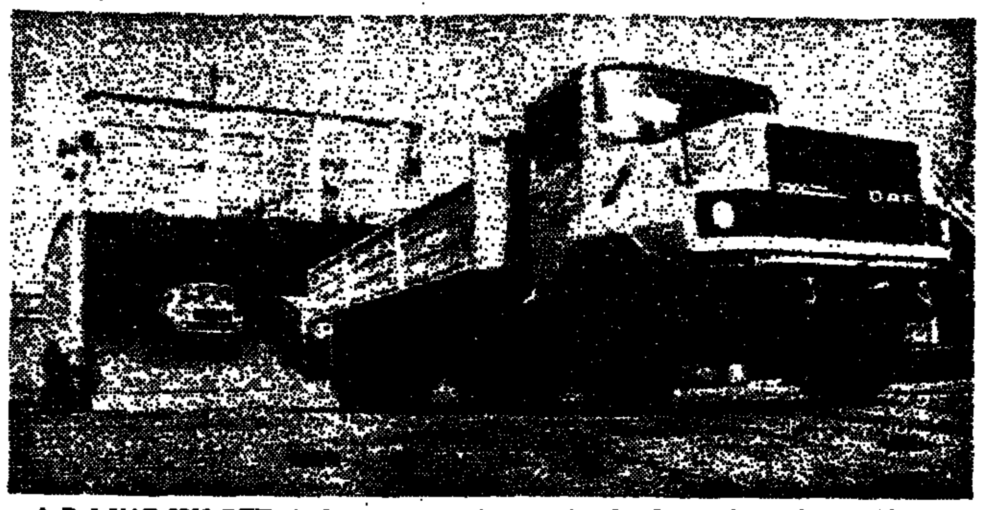
The original intention was for the consortium to find another buyer for the shares and pass them on as quickly as possible. But Mr van der Padt says that, as Daf is now doing so much better financially, the consortium will probably retain the stake.

Daf's capital spending this year will be higher than the Fl 106m in 1985 in line with the demands of the six-year investment programme, reports Mr van der Padt.

The Dutch Government is providing about Fl 200m toward the programme and in view of Daf's importance in Belgium—it has a cab plant at Westerlo where 1,400 of Daf's 8,700 employees are located—the government there has guaranteed a BFr 2.8bn ($61.1m) loan by Belgian banks. The balance of Fl 250m will be found from Daf's own resources.

Mr van der Padt says the use of flexible automated manufacturing systems, which is the aim of a large proportion of the renewal programme, gives a medium-sized manufacturer like Daf a competitive manufacturing cost price compared with larger makers.

"These systems offer great product flexibility because each machine can make various groups of products in the order and numbers in which they are required at the precise time they are required. This enables the company to react very quickly to the market's requirements and to supply tailor-made products," he points out.



A Daf NAT 3300 DKX rigid truck, part of a recent order for famine relief in Ethiopia

This announcement appears as a matter of record only.

New Issue — *24th June, 1986*

FUJI HEAVY INDUSTRIES LTD.

(SUBARU)

U.S. $200,000,000

3⅛ per cent. Guaranteed Notes due 1993

with

Warrants

to subscribe for shares of common stock of Fuji Heavy Industries Ltd.

The Notes will be unconditionally and irrevocably guaranteed by

The Industrial Bank of Japan, Limited

Issue Price 100 per cent.

Yamaichi International (Europe) Limited — *IBJ International Limited*

Citicorp Investment Bank Limited

Fuji International Finance Limited — *Algemene Bank Nederland N.V.*
Banque Nationale de Paris — *Bank of Tokyo International Limited*
Baring Brothers & Co., Limited — *Commerzbank Aktiengesellschaft*
Credit Suisse First Boston Limited — *Daiwa Europe Limited*
Goldman Sachs International Corp. — *Manufacturers Hanover Limited*
Merrill Lynch Capital Markets — *Morgan Stanley International*
New Japan Securities Europe Limited — *The Nikko Securities Co., (Europe) Ltd.*
Nomura International Limited — *Saitama Bank (Europe) S.A.*
Salomon Brothers International Limited — *J. Henry Schroder Wagg & Co. Limited*
Société Générale — *Swiss Bank Corporation International Limited*

Taiyo Kobe International Limited

ANZ Merchant Bank Limited — *Dai-Ichi Europe Limited* — *Dai-Ichi Kangyo International Limited*
EBC AMRO Bank Limited — *Robert Fleming & Co. Limited* — *Hill Samuel & Co. Limited*
Kleinwort, Benson Limited — *KOKUSAI Europe Limited* — *Kredietbank S.A. Luxembourgeoise*
Lloyds Merchant Bank Limited — *Marusan Securities Co., Ltd.* — *Mitsui Trust Bank (Europe) S.A.*
Nippon Credit International (H.K.) Ltd. — *Nippon Kangyo Kakumaru (Europe) Limited*
Okasan International (Europe) Limited — *Sanyo International Ltd.* — *Tokyo Securities Co. (Europe) Limited*
Toyo Securities Co., Ltd. — *Universal Securities Co., Ltd.* — *Wako International (Europe) Ltd.*
Westdeutsche Landesbank Girozentrale — *Yamatane Securities (Europe) Ltd.* — *Yasuda Trust Europe Limited*

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Daiwa Singapore Limited — **IBJ Asia Limited**

Bayerische Landesbank Girozentrale Singapore Branch — **Chuo Trust Asia Limited**
DBS Bank — **First Chicago Asia Merchant Bank Ltd.**
Fuji International Finance (HK) Limited — **Jardine Fleming (Securities) Limited**
KDB International (Singapore) Ltd. — **Kidder, Peabody International Limited**
Kuwait International Investment Co. s.a.k. — **Singapore International Merchant Bankers Limited**
Standard Chartered Asia Limited — **United Merchant Bank Limited**
Wako International (Hong Kong) Limited — **Yamaichi International (H.K.) Limited**

UK COMPANY NEWS

Racal falls £42m as expected

Racal Electronics yesterday unveiled its 1985-86 results revealing profits down by some £42m at the pre-tax level, the first reduction in 31 years.

However, the figures were spot on analysts' estimates and by the close of business the company's shares were showing a 6p rise at 200p.

The year to March 31 saw group turnover push ahead from £1.11bn to £1.27bn but profits fall by 32 per cent from a peak £132.31m to £90.21m pre-tax.

A final dividend of 2.268p holds the net total at 3.0345p.

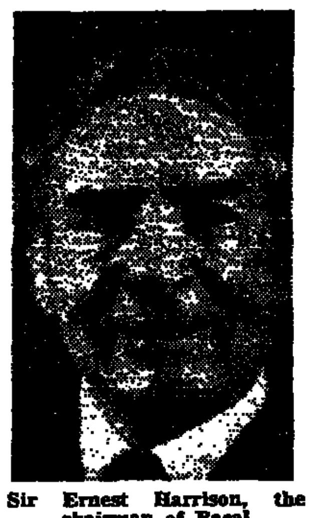
The directors, headed by Sir Ernest Harrison, the chairman and chief executive, say the results were in keeping with the interim statement of last January and were mainly affected by:

- The recession in the data communications industry in the US where trading profits were reduced by £45m compared with the previous year.
- And Cellular Radio losses, including interest charges, which amounted to £19.25m (£11.34m).

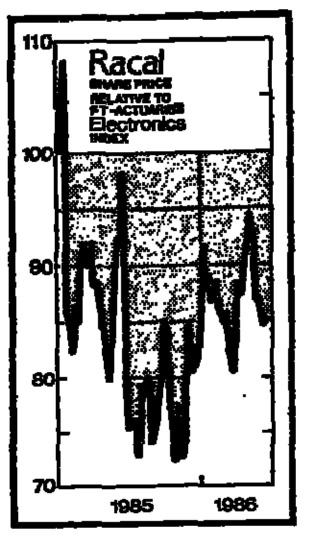
With the exception of strategic radio, communications security and marine electronics the remaining businesses were generally ahead.

Shareholders are told that the current year will benefit from turn-round in the performance of the data communication companies in the US resulting from the rationalisation and cost reduction programmes introduced last autumn.

The directors say that at Racal-Milgo, Florida, order intake, revenues and financial performance for the start of this year were considerably better than those for the comparable period a year ago. The order book, at $236m (£157m), was showing an increase of over 60 per cent.



Sir Ernest Harrison, the chairman of Racal



They add that Cellular Radio is expected to achieve a trading profit of over £5m compared with a trading loss of £12m and after charging interest the pre-tax loss should be reduced to £7m against £19m for 1985-86.

Other benefits expected in the current year are: reduced interest charges resulting from a positive cash flow and lower interest rates; a continued improvement by Racal-Chubb, whose profit contribution (after charging loan stock interest) should, the directors say, increase from £16m to approximately £20m after increased development expenditure.

Having regard to these points and after making allowance for a continuation of the weak oil price, they expect group profits for 1986-87 to be substantially ahead of those for 1985-86.

In a statement following the results, Mr David Elsbury, deputy chief executive, dismissed any idea of an imminent rights issue, saying this had not been discussed and was not planned for the foreseeable future.

Racal was not looking to make any major acquisitions in the current year. It also planned a "significant fall" in capital spending this year after spending just under £100m last year, an increase of almost £20m.

Referring to Cellular Radio, Mr Elsbury said just over £100m had been invested so far and this will rise to approximately £110m by the end of this year. He revealed that Vodafone now had more than 37,000 subscribers making an average of 1.5m calls a week.

On the marine side, radar made a profit and is forecast to continue to do so. But, Mr Elsbury said, the group still had the problem of "pirates" with the Navigator system and added that Racal had started formal talks with the government urging that the system is vital to navigational safety.

He said he wanted the Navigator to be breaking even in a year's time and cautioned that otherwise the directors would have to ask the question: "Do we continue or not?"

Group tax for 1985-86 accounted for £28.14m (£46.16m) and left net profits at £62.07m, compared with £86.15m.

Extraordinary provisions rose from £9.01m to £14.18m with almost all of the charge in respect of closure costs (including redundancy and severence pay), of which over 50 per cent was in respect of closure of the office network division at Racal-Milgo, Florida.

Group turnover, excluding Racal-Chubb and Cellular Radio, amounted to £876.48m (£939.36m). Racal-Chubb's turnover totalled £355.29m (£163.33m for half year) and that of Cellular Radio £34.56m (£4.28m). Had exchange rates remained unaltered during the year group turnover would have been £67m higher.

Group trading profits, excluding Racal-Chubb, Cellular Radio and oil and gas, declined from £141.35m to £90.39m. Racal-Chubb contributed £27.17m (£14.46m for half-year) and oil and gas interests including disposals swung from losses of £1.86m to profits of £8.22m.

At year-end the debt/equity ratio was 57 per cent, compared with 65 per cent at the six months' stage. With a positive cash flow forecast for 1986-87 the directors say the ratio will fall still further.

See Lex

US protest group steps into Lloyds bid battle

By Nick Bunker

A RELIGIOUS anti-apartheid group in the US has stepped into the middle of Lloyds Bank's £1.2bn takeover battle for Standard Chartered Bank by filing an eleventh hour objection with federal authorities in San Francisco.

Interested parties in the US were given 30 days—expiring at 4.30 pm on Monday—to lodge protests against the takeover. It is subject to approval by the Federal Reserve Board and the US Justice Department, because a successful bid would give Lloyds control of Union Bancorp (California), a Standard Chartered subsidiary.

At 3.30 pm, the Federal Reserve Bank of San Francisco received an objection from the California-Nevada Interfaith Committee on Corporate Responsibility, calling for a 90-day moratorium on official action regarding the bid.

It said Lloyds had failed to make clear whether it intended to dispose of Standard Chartered's South African interests, including its 39 per cent stake in Stanbic, the country's second largest commercial bank.

The Interfaith Committee, which represents the Roman Catholic and leading Protestant churches, said Lloyds should spell out its policy on its role in the South African economy. It should also obtain an independent valuation of Stanbic and Standard Chartered's cross-border loans to South Africa.

Mr John Lind, the committee's director, said the objection followed an approach from the Reverend David Haslan, a British Methodist clergyman and prominent anti-apartheid campaigner.

Both banks involved in the 10-week old takeover battle had been expecting some action from US pressure groups, though so far Standard Chartered has been the only other body to lodge a formal objection.

The precise impact on the bid, which has an August 2 deadline under the UK Takeover Code, was unclear last night. Standard Chartered has argued that Lloyds underestimated possible delays by US regulatory authorities, which might not give approval in time. The bid has yet to go to the US Justice Department for 30 days of consideration.

Mr Michael McWilliam, Standard Chartered's group chief executive, said he was "not displeased" by any moves which could hold up the US regulatory process.

Lloyds has to decide by the end of this week whether to raise its current 750p per share for Standard Chartered.

Hambros ahead 59% to £43m

BY DAVID LASCELLES, BANKING CORRESPONDENT

Hambros, the financial services and estate agency group, reported a strong 59 per cent gain in pre-tax profits yesterday—its first results since the recent changes in ownership structure, and the departure of several members of the Hambro family.

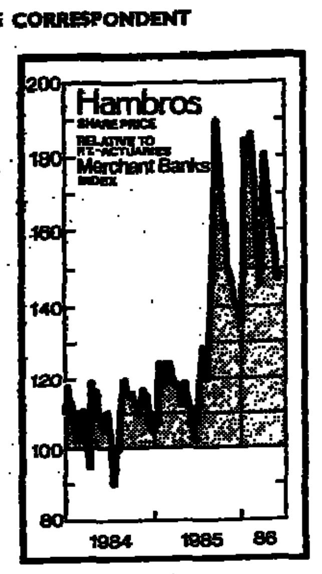
The group achieved £43.4m for the year ending March 31, up from £27.3m, with much of the increase coming from the banking side. Profits after tax were £28.5m, equivalent to 25.9p per share, up from £17.3m (18.2p).

Mr Charles Hambro, the chairman, described the year as "strenuous but very successful," and said the board was recommending a total dividend for the year of 7.2p, against 6.5p.

For the first time, Hambros disclosed its pre-tax banking results: these showed profits of £25.5m, a 58 per cent rise on the previous £16.1m. Although Hambros has had to write down its £10m exposure to the tin crisis, profits from other parts of the banking business were strong, particularly in corporate finance, commercial lending and foreign exchange.

Profits from non-banking activities rose from £11m to £16.2m. The bulk of these came from Hambros' 29.9 per cent stake in Strauss Turnbull, the stockbroking firm, insurance broking and investment income. Although Hambros now controls the UK's largest estate agency with its recent acquisition of majority interests in Bairstow Eves and Mann & Co, these occurred too late to have any impact on the figures.

The two firms have been merged into a new group called



Hambro Countrywide through which Hambro plans to develop sales of personal financial services. Last year Hambros also bought 75 per cent of Cunningham Hart, the firm of loss adjusters. Mr Hambro said both

Hambros yesterday announced the appointment as deputy chairmen of Mr J. C. L. Keswick, who heads the banking side, and Mr C. H. Sporborg, who heads the non-banking side. The two are effectively joint chief executives of the group. Mr J. M. Clay is appointed vice-chairman. Mr A. M. Sorkin, who heads the corporate finance department within the bank, is made a director of the company, and Mr C. J. Perrin is named a deputy chairman of Hambros Bank.

See Lex

Argyll Grp. confident as profits rise 22%

By David Goodhart

MR JAMES GULLIVER, chairman of the Argyll Group, yesterday refused to lie down under the disastrous extraordinary loss of £34.1m arising from his unsuccessful bid for Distillers, and predicted accelerating profits over the coming period.

The retail group's pre-tax results for the year ended March 29 1986 shows a 22 per cent rise to £64.6m. This is slightly above expectation and is not affected by the extraordinary loss. There was a 9 per cent increase in turnover to £1.9bn.

Earnings per share increased by 12 per cent to 22.4p and the recommended total dividend by 24 per cent to 7.75p. The main food division increased turnover by 11.6 per cent from £1.45bn to £1.62bn and boosted operating profit by 20 per cent to £53.1m.

Mr Gulliver explained that these results covered the first year of the three year management of change programme in the food division which aims to increase margins from 3 per cent to 4 per cent by 1987-88. Last year margins rose from 3 to 3.5 per cent.

Presto Food Markets and Food Stores, which now include Templeton, Hintons and Liptons, accounted for 74 per cent of total grocery retail turnover and will account for 85 per cent by March 1987. The margin improvement was largely the result of a growth in own-label sales from 21.6 per cent in 1984 to 29.3 per cent in 1986.

The other improvement in efficiency is expected to come from the new central distribution centres which cut out direct delivery to stores by suppliers. More than 60 per cent of Presto's grocery volume will go through the new distribution system by the end of the current year.

Lo-Cost, the discount stores, showed an 8 per cent growth in volume. The drink division produced a 6 per cent increase in operating profit to £13.8m on a 5 per cent reduction in turnover to £282m. In the US Bartons Brands' was hit by the weaker dollar and operating profit grew by only 2 per cent to £10.2m.

Argyll's margins continue to lag behind several of its competitors—including Sainsbury, Asda, Safeway and Waitrose—however it ranks third, behind Tesco and Sainsbury, in the amount of new selling space opened in 1985/86.

Twenty-four new Presto stores were opened and there were 197 conversions—with another 245 planned for this year.

Aside from a 10 per cent drop in lamb sales during the recent Chernobyl scare Mr Gulliver said that the current year has started well for the food division.

"The changes being undertaken will yield major profit benefits at an accelerating rate from the end of this year. I am able to confirm that the targets which we established when we announced our programme of change a year ago are being met," said Mr Gulliver.

The share price remained unchanged at 318p.

See Lex

Television Services acquisition

Television Services International, the USM quoted film and video production company, is to buy Visions, a post production company, for £3.9m in shares.

Andrew Lee, chairman and managing director of TSI, is to become executive chairman of the enlarged group and Brian Wiseman, who formed Visions in 1982, is to become group managing director. TSI said the acquisition of Visions gave it an opportunity to establish a major production and post production group.

Visions — said to be one of the UK's leading video post production editing facilities — made pre-tax profits of £94,000 in the year to April 30 on turnover of £4.04m, but the profit of the post production facility, before losses incurred in outside broadcast and other activities, was £342,000 on attributable turnover of £2.23m.

TSI is paying with 3.27m new shares, of which 892,281 will be placed on behalf of the vendors at a price of 115p a share.

Hawker Siddeley makes further move in US

BY CHARLES BATCHELOR

Hawker Siddeley, the electrical and mechanical engineering group, is buying Daytronic Corporation, a privately-owned US manufacturer of measurement and control instruments for $22.5m (£15m) cash.

The Daytronic purchase is Hawker's fourth US acquisition in the past 12 months and brings total US spending to $130m. Total turnover of its US subsidiaries now accounts for more than £250m of group sales of £1.6bn.

Daytronic is based in Miamisburg, Ohio, and has annual sales of about $50m. It makes data acquisition and control systems, dedicated signal conditioners, digital indicators and controllers and electromechanical transducers.

It supplies the automotive, aerospace, defence, off-road vehicle, chemical and utility industries.

Despite the recent spate of small and medium-sized acquisitions, Hawker has yet to find "a sufficiently attractive major corporate acquisition at an acceptable cost," Sir Peter Baxendell, chairman, told last week's annual meeting.

Hawker last month paid $30m for the outstanding 60 per cent of Safetran Systems Corporation, a US manufacturer of railway signalling and telecommunications equipment. It earlier bought Power Conversion, a maker of lithium battery systems and Torin Engineered Blowers, a manufacturer of customised fans and blowers for the electronics market.

Harrison Inds. to raise £5m

Hill Samuel is arranging an offer for sale to raise about £5m for Harrison Industries, which will be joining the full market early next month. The market capitalisation will be about £16m.

Harrison was founded in 1971 by Mr Ken Harrison, its present chairman and chief executive. Based in Stockport, it is a leading manufacturer of industrial doors.

In the last five years sales have doubled to £22m and pre-tax profits have jumped tenfold to £2.4m.

The new funds raised will be used to assist the expansion of the business. Existing shareholders will also be disposing of part of their stakes.

Siebe/APV

Siebe, the safety products and engineering group which has launched a £216m takeover bid for APV, the process engineer, has bought a further 170,000 APV shares taking its holding to 7.18m or 22.7 per cent of APV's equity. Siebe's bid closes on Friday.

AUTOMAGIC HOLDINGS has entered into a conditional agreement to acquire Normand-Sweet for a maximum £439,500. Normand-Sweet is a shoe repairer and key cutter with 18 branches in southern England.

Tibbett offer values company at £32m

The full prospectus for an offer for sale of 9.14m shares in Tibbett and Britten, the transport and distribution group which specialises in supplying clothing to the retail sector, in particular Marks and Spencer, will be published tomorrow.

A price of 120p a share has been put on the issue capitalising the company at £31.5m.

Of the shares on sale, 1m are coming from 3i and 1.89m from the existing directors and management. The balance will raise £8.9m for the company, after expenses, to finance capital expenditure on two new regional distribution centres to supply M and S with a wide range of goods.

The group is coming to market on a forecast profit of £3.25m for 1986, compared to £1.94m, indicating a prospective p/e of 13.4 after an estimated tax charge of 36.25 per cent.

Hill Samuel and brokers James Capel are handling the issue.

Habit Precision profits up

Habit Precision Engineering lifted taxable profits by 59 per cent to £485,000 in the six months to March 31 1986 on turnover up by 48 per cent to £5.8m. At the same time the company has announced the purchase of Mantech (Finance) for £750,000.

Earnings per 5p share came out higher at 2.9p (2.2p) and the interim dividend is being raised to 0.7p (0.6p).

Mantech is involved in the procurement and supply of subcontract engineering services particularly involving the making of components for defence systems and armoured vehicles. In the year to end-July 1985 it made £85,000 profit.

Mr James Mayne, chairman of Habit, says Mantech's present trading shows a significant improvement and the company is expected to make an immediate contribution to profits.

Of the interim figures he says that the profit rise reflected a significant increase in profitability in the diamond tooling division

EMAP compensation payment

EMAP accounts for the year to April 1986 show compensation of £111,000 was paid to a director for loss of office, against a previous £70,000. Mr F. C. Winfrey, who was a director throughout the year, resigned on April 21.

● The accounts of Stirling Industries reveal that £40,000 was paid as compensation for loss of office to Mr M. E. Hazell, who was a director in the year ending March 31 1986 but resigned on May 22.

Borland

The application list in connection with Borland International's offer for sale of 12.5m shares of common stock of no par value at 125p per share opened at 10 am yesterday and closed at 10.01 am with the offer over-subscribed.

Brookmount beats forecast as profits rise 60%

COMPARED WITH a flotation forecast of not less than £900,000, Brookmount, Northern Ireland-based property investment and development concern, achieved taxable profits of £1.15m for the year ended March 31 1986.

Results, which are 60 per cent above last year's £721,000, reflect the underlying growth in rental income from investment properties and the company's successful development activities, the directors state.

And in line with forecast there is a 1p dividend for the period. The directors say that if the company's shares had been dealt in on the USM throughout the last year they would have expected to pay a 3.5p total distribution.

Turnover for 1985/86 amounted to £3.48m, against £6.93m while net rental income was £1.17m (£957,000). Including development profits and property management profits, gross profit for the period came out at £2.11m, compared with £1.74m.

After tax of £481,000 (£345,000) earnings per share are shown as 19p (11.6p).

The directors say that the Park Centre in Belfast, the group's third major shopping development in Northern Ireland, was completed in April 1985 and is now fully let and trading successfully. They add that the other Northern Ireland shopping centres continue to provide a valuable source of investment income and demand for space is buoyant.

Brookmount completed a number of developments during the year in the south east of England and has initiated a series of projects—including the developments at Brooklands and Uxbridge—which, directors say, "will ensure an ongoing stream of developments for Brookmount over the coming years."

● comment

Better than expected full year figures for this debutante on the USM, thanks to the early sale of property on the New Malden development. The profits increase accompanied a 50 per cent drop in turnover, due to the company's concentration on joint development with Trafalgar House under the Trafalgar Brookmount banner. However, the switch allows Brookmount to get involved in major developments like Brooklands which is currently chugging through planning permission. The high-yielding Northern Irish shopping centres provide a stable base of rental income which will allow the company to initiate further developments in the south-east of England. Profits of £1.5m looks achievable this year which on a tax charge of 35 per cent puts the shares at 270p up 7p on a prospective p/e of 13, at a substantial discount to the sector.

Wintrust profits jump 27%

Wintrust, the independent London-based merchant bank, raised pre-tax profits by 27 per cent from £2.64m to a record £3.35m—the tenth successive year of growth. The shares rose 20p to 315p yesterday.

The directors say that present levels of activity are continuing to increase and they expect full year profits will again be a record.

After tax of £1.34m, against £1.12m, and an extraordinary charge last time of £577,000, net profits were more than doubled from £839,000 to £2.01m.

Stated earnings per 20p share rose 23 per cent from 16.61p to 20.48p and the final dividend is 3.6p (3.2p) for a net total up from 4.8p to 5.4p. Retained surplus was £1.27m (£422,000).

At the year end, shareholders' funds were ahead from £12.8m to £19m and group assets had increased by £21m to £133.

The directors say the balance sheet is strong with liquid assets representing 50 per cent of total assets and 60 per cent of deposits.

COMPANY NEWS IN BRIEF

A-R TELEVISION, which holds shares in Thames Television, leases property and sells programmes and films, has lifted pre-tax profits for the year to March 31 1986 from £6.78m to £9.94m. Turnover was £44,518 (£59,753) and the pre-tax result was after an improved £6.99m (£4.2m) from its associated companies, and £2.94m (£2.55m) interest received. A final dividend of 13.3648p (28.2362p) is recommended, which brings the total to 71.3648p (50.2362p) per £1 share. Tax takes £4.2m (£3.13m). Its ultimate holding company is British Electric Traction.

MORGAN GRENFELL, the merchant bank, has received requests for 80,000 prospectuses and additional printed application forms for its flotation by tender on the London Stock market, apart from the prospectuses it has placed in newspapers. Applications open tomorrow.

LPA INDUSTRIES, electrical accessories, made pre-tax profits of £412,000 (£406,000) from sales of £2.95m (£2.84m) in the half year to March 31 1986. The interim dividend is 1.4p (1.166p adjusted). Earnings are 4.4p (3.55p). The company's shares are traded on the USM.

INTEREST RATE for this week's issue of local authority bonds is 9¼ per cent, up ¼ of a percentage point from last week, and compares with 12 per cent a year ago. The bonds are issued at par and are redeemable on July 1 1987.

NASH INDUSTRIES, packaging, engineering and construction company, reported pre-tax profits of £56,000 (£187,000 losses) for the six months to end of March 1986 on turnover of £8.39m (£8.81m). Earnings per share were 1.3p (4.4p losses) and there is an interim payment of 0.5p (nil).

DIVIDENDS ANNOUNCED

Argyll Group	5.1	Oct 13	4.15	7.75	6.25
A-R Television	13.36	July 25	28.24	71.36	50.24
Brookmount	1	—	—	1	—
Crown Intl ....int	1.05‡	Sept 28	1.05	—	5.3
Fairbriar	2.25	Aug 26	—	3	—
Habit Precision ...int	0.7†	July 30	0.6	—	1.75
Halma	1.05	Aug 15	*0.83	1.7	*1.42
Health Care	0.75‡	Aug	—	0.75	—
IC Gas	10.5	Aug 8	9.25	16.75	14.5
KLP Group ....int	1.5†‡	Aug 20	1.2	—	3
John J. Lees	1	—	*1	2	*1.45
LPA ....int	1.4‡	—	*1.17	—	*2.5
Mansfield Brew	6	—	6	8.25	8.25
Nash Inds ....int	0.5	—	nil	—	0.5
Plantation Tst	0.75	—	—	0.75	—
Racal	2.27	Aug 20	2.27	3.03	3.03
Rothmans Intnl	4.5	Oct 7	4.2	6.7	6.4
Standard Secs ....int	1.4	Aug 20	1.27	—	4.05
Watson & Philip ...int	2†	Aug 15	1.7	—	5.8
Wintrust	3.6	Oct 1	3.2	5.4	4.8

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock.

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
146	118	Ass. Brit. Ind. Ord.	131	—	7.3	5.6	8.0	7.5
151	121	Ass. Brit. Ind. CULS	131xd	—	10.0	7.6	—	—
43	43	Airsprung Group	119	—	7.6	6.4	7.5	5.7
179	106	Armitage and Rhodes	42	—	4.3	14.3	3.7	4.8
[illegible]	[illegible]	Bardon Hill	178	—	4.6	2.6	20.1	18.5
82	42	Bray Technologies	77	—	4.3	5.6	9.1	8.1
[illegible]	[illegible]	CCL Ordinary	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	CCL 11pc Conv. Pf.	[illegible]	[illegible]	[illegible]	[illegible]	—	—
[illegible]	[illegible]	Carborundum Ord.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Carborundum 7.5pc Pf.	[illegible]	[illegible]	[illegible]	[illegible]	—	—
[illegible]	[illegible]	Deborah Services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Frederick Parker Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	George Blair	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Ind. Precision Castings	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Isis Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Jackson Group	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	James Burrough	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	James Burrough 9pcPf.	[illegible]	[illegible]	[illegible]	[illegible]	—	—
[illegible]	[illegible]	John Howard and Co.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Minihouse Holding NV	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Record Ridgway Ord.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Record Ridgway 10pcPf.	[illegible]	[illegible]	[illegible]	[illegible]	—	—
[illegible]	[illegible]	Robert Jenkins	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Scruttons "A"	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Torday and Carlisle	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Travian Holdings	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Unilock Holdings	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Walter Alexander	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	W. S. Yeates	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

s = Suspended

Rothmans down by £28m as tobacco profits decline

A SHARPLY reduced contribution from its tobacco operations left **Rothmans International** with pre-tax profits £28m lower at £93.9m for the year ended March 31 1986. Turnover, excluding sales taxes and duties, fell from £1.6bn to £1.47bn.

Currency movements — in particular the weakening of the dollar against sterling—had a significant effect on results and overall depressed the translation of operating profits by some £14m.

Group operating profits dropped from £140.5m to £115.9m after charging exceptional costs of £47.4m (£44.7m) for rationalisation measures. The major items in 1985-86 were £28.4m for factory closure and other redundancies in the UK, and £11m for factory closure and other measures in Canada.

Tobacco profits declined from £151.8m to £124m, mainly as a result of the higher rationalisation costs and a downturn in UK-based businesses because of depressed demand in home and export markets.

Better results in Germany and other European operations had an offsetting effect. Associates generally produced higher profits in their own reporting currencies, but these results suffered on translation into sterling by reason of exchange rate movements.

Carling O'Keefe, the group's Canadian brewing company, reported reduced earnings. Results suffered from the continuing intense competition in the Canadian beer market, and from the effect of lengthy work stoppages in the industry in several provinces. Brewing profits came to £0.3m (£4.2m).

Profits from luxury consumer products advanced from £47.5m to £49.6m, with good results from both Dunhill and Cartier, although the latter was offset by exchange translation.

Other interests contributed £24.7m (£26.4m) to profits. These activities included Star Oil & Gas, which reported higher earnings, and Rowenta-Werke, the consumer appliance company, which achieved higher sales but lower profit in a very competitive environment.

The final dividend is being raised from 4.2p to 4.5p for a net total 0.3p higher at 6.7p. Earnings per share were 10.7p (17p) basic or 10p (14.2p) fully diluted.

Tax took £48.7m (£54.8m). The effective rate was higher principally because losses arising due to rationalisation measures were not relievable against profits elsewhere. Attributable profits came out at £28.1m (£42.2m).

Net interest charges were up from £18.6m to £22m, mainly because of increased borrowing in the UK and in Carling O'Keefe.

● comment

Rothmans International is doing its best to convince that the worst is over after surprising the City with another large lump of rationalisation costs. The two most obvious signals are the increased dividend and the launching of an executive share option scheme — few companies knowing that worst is still to come would venture in this direction. There has always been a question mark over the quality of group earnings, given the dependence on cigarette sales, on the earning power of associates and the South African connection. In these figures Rothmans' core activities actually made an after-tax loss and the dividend is probably uncovered in the classical sense. However, the temptation is to add back in the exceptionals, allow something for the disposal of lossmakers and conclude that the base point for looking forward is around £150m. Given some growth the target for 1986-87 has been set at £175m by the analysts. However, the ability of the core businesses to bounce back should not be underestimated and any signs that Carling O'Keefe in Canada is making forward movements (it publishes quarterly figures and not long ago was making £40m a year) could see a rush of rerating. Until then the shares at 149p have to rate a hold.

Fairbriar 7% ahead of forecast

Despite abnormal weather conditions in the latter part of the year, Fairbriar, the Surrey-based property developer which came to the market last October, has beaten its prospectus forecast by some 7 per cent.

Pre-tax profits for the year to March 31 1986 increased 53 per cent from £2.17m to £3.32m, against the forecast £3.1m. Turnover rose by 24 per cent from £7.38m to £9.15m.

The final dividend is 2.25p net, compared with a forecast 2p, making a total of 3p per share. Earnings increased 63 per cent from 7.13p to 11.61p per share, after tax of £1.33m (£0.98m).

New sites have been acquired at Thames Ditton, Surrey and Haywards Heath, West Sussex, together with a substantial extension of the existing site at Uckfield, Sussex.

Planning consent for the site at Kingswood, Surrey was granted on appeal.

● comment

Fairbriar's profits exceeded the forecast made at October 1985's ill-received flotation as margins were pushed up to 36 per cent in a booming property market. This year, although volume is unlikely to increase substantially, the Richmond development will push up the average value of units sold and keep the margins healthy. The shares at 164p up 4p have now substantially overtaken the 120p issue price but the prospective multiple, based on profits of £4m and a 35 per cent tax charge is still only 11, well below the most comparable company, Berkeley Group. The company depends on its expertise in buying the right sites for its up-market housing developments and may be tempted into an acquisition this year to increase its 2-3 year land stock. However, the low rating of the shares may tempt the company into a cash purchase, thereby pushing the gearing (currently 59 per cent) to a worrying level.

Stanley Gibbons plans return to the USM

BY ALICE RAWSTHORN

Stanley Gibbons, the stamp-dealer, which was forced to abandon its USM flotation two years ago, has announced plans to return to the USM having completed the financial restructuring of the company.

The company's first flotation foundered when the Stock Exchange called a halt to dealings in its shares after just 16 minutes following allegations about the then-chairman, Mr Clive Feigenbaum's former business activities. Gibbons is now formulating plans to return to the market in a flotation tentatively scheduled for late 1987.

When Gibbons planned the first flotation it proposed to use the capital raised to reduce the borrowings incurred by its management buy-out from the Swedish group, Esselte, in 1982. The failure of the flotation not only left borrowings intact but exacerbated the company's trading problems.

At the beginning of this year Gibbons' borrowings stood at £4m. It has since raised £2m from a rights issue, which brought in the financial services group, Frederick's Place, as its largest shareholder, and £1m from the sale of its mail order subsidiary, Urch Harris, to the subsidiary's chairman, Mr Alan Grant.

Borrowings have thus been reduced to £1m, while net assets have increased from £2m to £4.7m. The board expects to produce pre-tax profits of £200,000 on turnover of around £14.5m in the year to June 30. According to the chairman, Mr Ronnie Aitken, Gibons plans to stage a second flotation after the publication of its 1986-87 results.

In the meantime Ionian Securities, the firm of licensed securities dealers which sponsored the rights issue earlier this year, will begin to make markets in Gibbons' shares under the 'matched bargain' rule or on the over-the-counter market.

The departure of Mr Grant means that none of the current board were with the company before the unsuccessful flotation. Mr Feigenbaum left Gibbons immediately afterwards, while the former managing director, Mr David Stokes, and finance director, Mr Michael Bray were dismissed late last year.

Gibbons has since appointed Mr Stephen Quinn, a former Debenhams director, as chief executive, while Mr Stuart Goldsmith has become a director representing the interests of Frederick's Place.

Since the arrival of Mr Quinn in January Gibbons has cut costs, principally by reducing its workforce by 25 per cent to 160 people. Although the board envisages further rationalisation, it now expects to expand the company in preparation for flotation.

Gibbons plans to restore its reputation as an auction house—which was tarnished by the adverse publicity in the aftermath of the flotation—and to develop the fertile markets of rare stamps and philately publications.

Dataserv in £8.6m cash call

AGGRESSIVE expansion of computer maintenance services is the reason for **Dataserv's** £8.6m rights issue which was launched yesterday morning.

The UK-listed, but US-based computer leasing and service group, is making a one-for-four issue at 145p a share, underwritten by Samuel Montagu. In the market the shares eased 3p to 175p.

At the same time each of the four directors have placed 750,000 shares each at an undisclosed price and will not be taking up their rights entitlements. They will hold 31 per cent of the enlarged capital.

Mr James Carr, chairman, says that the extra funds will allow Dataserv to chase after niche markets in the service area which is becoming increasingly important to profits.

From 34 engineers based in 17 cities in the US 2½ years ago the group now has 345 representatives sited in 61 cities and Mr Carr's target is to have 500 working by the end of this year.

Because of the lead times involved in new contracts such expansion could not be covered by self-generated funds. Capital gearing is already running at about 700 per cent and even after the issue it will be around 300 per cent. This is typical for a service company in the US according to Mr Carr.

He believes that the company is now one of the three largest independent third party maintenance companies for IBM in the US and is targeting the Fortune 1,000 list for new business.

No forecast is offered for the current year but the group is looking for substantially higher revenues from maintenance. In 1985 profits amounted to $8m (£5.88m).

Brokers are Panmure Gordon.

Addison Consultancy purchase

BY TERRY POVEY

AFTER A year of discussions and a night spent scouring the Surrey countryside for a waiver from an outstanding shareholder, **Addison Consultancy Group** has clinched the takeover of the much sought after **Taylor Nelson** market research company.

The complex deal involves £4.83m being paid upfront with up to a maximum of £4.29m more depending on the private company's pre-tax profits in the three years to March 1989.

Addison, previously called Addison Page Chetwynd Streets, has designed the future payments, which are to be made by the issue of convertible preferred shares for which no quotation is being sought, so as to commit the 23 senior executives at Taylor Nelson to remain with the group.

In the year to March 1986, Taylor Nelson made pre-tax profits of £740,000 (£465,000) on a turnover of £6.7m (£5.3m). The company specialises in market research in the medical and pharmaceutical, consumer and financial areas and has built up a strong database.

The initial consideration is to be funded by an issue of £3.72m Addison shares to Taylor Nelson's vendors. Of these new shares 1.67m will be placed in the market by brokers Phillips and Drew so as to raise £2.075m. Taylor Nelson's shareholders have agreed not to sell any of their Addison shares for 12 months.

M6 Cash & Carry to join USM

M6 Cash and Carry will be joining the USM at the end of the month following an offer for sale by brokers Kitcat and Aitken. The bulk of the shares on offer will come from the Rothschild portfolio with JRH Group reducing its stake from 92.5 per cent to 29.4 per cent and raising about £4m. A further £2m of new money will be raised for the company.

Govett Strategic

Brokers de Zeote and Bevan have arranged a placing of debenture stock to raise £30m for **Govett Strategic Investment Trust** managed by John Govett and Co.

The debenture is dated 2016 and is priced at £99.054 per cent giving a gross redemption yield of 10.487 per cent. The stock is payable as to £40 on acceptance with the balance by September 12.

Owen & Robinson shares soar after agreed offer

SHARES IN **Owen & Robinson**, a small Yorkshire-based jeweller, soared yesterday when two private investors, Mr Harry Davies and Mr Richard Ratner, launched an agreed £.6m bid for the company, which they are expected to use as a shell vehicle.

Mr Ratner is a stockbroker with Kitcat and Aitken, while Mr Davies is a former director of Raybeck.

Owen & Robinson shares closed at £34, up £26 on the day, which compares with an offer price of £23 in cash for each A voting and B non-voting share.

The bidders said yesterday that they intended to retain an aggregate of 46.6 per cent of the ordinary shares, and the balance acquired would be placed by Kitkat. The plan is to maintain the company's listing, improve the trading performance of its retail jewellery business and "seek to develop its activities when opportunities arise."

The offer has been accepted in respect of 67.8 per cent of the A shares and 68.2 per cent of the B shares by Mr J. L. Blenkinsopp, chairman, and other members of the Blenkinsopp family.

Pentland calls off US deal

Reebok International, the highly successful US associate of Britain's **Pentland Industries**, announced yesterday that Stride Rite Corporation of Cambridge, Mass, had rejected a takeover offer from it. Reebok had decided not to proceed with a bid.

Reebok said it was not involved in any other acquisition negotiations. Its business continued to be very strong, which would be reflected in an excellent second quarter.

Calor boost helps IC Gas to £89m

A SHARP fall in interest payments helped Imperial Continental Gas Association to increase pre-tax profits by 12 per cent from £80.05m to £89.37m for the year ended MBarch 31 1986. Results were also boosted by a substantial rise at Calor.

Comparison between the two years' results was however affected by the £78m sale of CompAir in July 1985. The directors say this largely accounted for a reduction in group turnover to £498.1m (£649.88m) and trading profits to £72.72m (£79.66m).

The 1985-86 figures included turnover of £70m and a £200,000 loss in respect of discontinued operations, being CompAir's results for the first four months of the year. In the previous year, turnover of £230.17m and £2.81m pre-tax profit related to discontinued operations.

In accordance with the IC Gas Association Act 1929, the £13.03m loss on the sale of CompAir was charged direct to capital reserve, partly offset by gains of £2.18m on the sale of investments and other capital assets.

The substantially lower interest charge of £9.58m (£22.37m) reflected a marked reduction in the group's borrowings, as a result of the divestment of CompAir and the strong cash flow generated by oil operations.

After tax of £33.2m (£29.36m) and minorities, group attributable profits were up 20 per cent from £42.22m to £50.65m. Earnings per £1 share came to 38.5p (32.43p) and the final dividend is 10.5p for a higher net total of 16.75p, against 14.5p.

Earnings from the group's Belgian operations showed continued growth, but the performance of oil operations was affected by the sharp decline in sterling oil prices during the year.

Turnover of Century Power and Light, operating in the UK offshore, fell to £70.74m (£89.16m) and pre-tax profits were £22.99m (£30.33m). These results reflected the impact of lower average selling prices and also of a slight reduction in oil production from the Maureen and Forties fields.

IC Gas Amcana, operating onshore in the US, increased turnover to £5.3m (£3.56m) and pre-tax profits to £1.01m (£0.82m).

Calor Group lifted pre-tax profits by 40 per cent from £28.93m to £40.58m on turnover of £333.68m (£309.99m). Sales of Calor gas and appliances were higher, helped by a cool summer and a cold winter.

In addition, further progress was made in extending the domestic and industrial use of Calor's products. High levels of operating efficiency and, towards the end of the year, more favourable trading conditions also contributed to the result.

Group capital expenditure on continuing operations rose from £50.31m to £74.9m, as a result of additional investment in oil and gas exploration and development. Net borrowings at March 31, 1986 were cut sharply to £74.7m (£203m).

● comment

IC Gas rather confused the City ahead of these figures—some expected the tax charge to make much bigger inroads into profits than turned out to be the case. In the event Century, while it only provided a seventh of net income, did not become an undue tax burden. Calor was the group's star performer providing almost half of net income and due to benefit this year from further margin gains as lower LNG sterling input costs work through the system. In Belgium, the utility investments and Petrofina (in which ICG's stake has increased) continue to provide a solid tax-efficient base to earnings. The £78m sale of CompAir has eliminated the group's fourth leg and cut gearing back to a low 15 per cent level. There is talk of finding a replacement activity for CompAir but the record on major acquisitions to date has not been good. This year with oil prices at around $10 a barrel, Century will probably only just make a profit and there will be a heavy reliance on Calor to produce the forecast net income of £55m for the group. What heat there was has gone out of the shares, unchanged at 400p, as Petrofina will only move in if Ron Brierley (who has now marginally reduced his stake to 2.1 per cent) becomes a real problem. There seems little to go for until those said to be stalking Petrofina make their minds up.

KLP advances by 51% to £646,000

KLP Group, the USM-quoted sales promotion consultancy, raised pre-tax profits by 51 per cent from a restated £429,000 to £646,000 in the half year to March 31, 1986. Turnover was 76 per cent higher at £12.39m, against £7.03m.

The directors say that as a result of increased expenditure from existing clients and the impact of new clients gained, the second half has started well, giving rise to an optimistic outlook for the current period.

Stated first-half earnings per 5p share rose to 7.45p (4.65p) basic and to 6.83p (4.32p) fully diluted. The interim dividend is increased from 1.2p to 1.5p net on capital increased by the £2.65m rights issue in February.

Last year's final was 1.8p.

During the period the group continued the recruitment of associate directors in Kingsland Lloyd Petersen. While the cost of this new senior management has held back profit in the subsidiary, the recruitment has resulted in significant new business, providing a solid base for growth in the second half, the directors say.

The group's international operation has recently won major business for Johnnie Walker and Guinness (Distillers). The division has also won consultancy assignments in the Middle East and to strengthen its links with the region, has recently formed a joint venture company in Cyprus, trading as KLP (Middle East).

Odhams, Systems Market Link, the marketing teams and KLP Scotland have all met board expectations. During the period Odhams invested £2m in a successful marketing campaign and in February acquired a 51 per cent stake in Livre Loisirs Limitee, a similar direct marketing company based in Montreal, Canada.

● comment

Even allowing for March's two-for-nine rights issue, KLP shares have suffered unduly from litigation with Asda, once a major client. Although KLP has made no provision against an adverse decision—because it is confident it will win—investors have obviously feared an out-of-court settlement. That has kept the share price at 315p, well down from the peak of 395p. Nevertheless, the company continues to expand by acquisition and extra business in the traditionally more favourable second half will push full year profits up to £1.9m. Although the company has conservatively allowed for a 37 per cent tax charge, tax losses from Odhams Leisure could well push the charge down to 30 per cent. If earnings per share are assumed to be fully diluted by options and deferred considerations, the prospective p/e is 13, modest for the sector.

Acquisition costs hit Mansfield Brewery

IN A year dominated by the £42m acquisition of North Country Breweries, Mansfield Brewery saw pre-tax profits fall by 11 per cent on turnover up by 30 per cent. The directors say that whereas the benefits were only being seen towards the end of the year the finance costs had been immediate.

Turnover improved from £72.38m to £94.24m and operating profit, reflecting the start of improved results, were up from £8.42m to £12.04m. However, interest payments were much higher at £5.31m (£767,000), being the main factor in the pre-tax profit fall to £6.97m (£7.82m).

Earnings per £1 share came out at 27.9p (29p) and the final dividend is being maintained at a proposed 6p for an unchanged total for the year ended March 28 1986 of 8.25p.

Mr R. W. Chadburn, chairman, says that the initial high costs of the acquisition, which included the closure of North Country's Hull brewery, are now over and the cash consequences have proceeded better than planned.

He adds that borrowings are high but cash flow projections show the group should have no difficulty in cutting short and medium-term debt.

In addition the sale of 78 pubs and clubs and 12 further licensed sites to J. W. Cameron raised £13m.

Of the present year he says that the continuing inclement weather has not assisted sales in the early months. The company is now, however, well placed to benefit from the North Country purchase.

The company has begun improving its licensed properties which will be accelerated throughout the next two years.

Halma profit increases 36% to record £5.3m

AS PREDICTED at the interim stage, Halma, the safety, security and environmental products group, made record profit in the year ended March 29 1986. Pre-tax figures climbed 36 per cent from £3.89m to £5.28m, on turnover up 25 per cent at £31.15m.

Stated earnings per 10p share increased from 6.67p to 9.07p and the final dividend is in effect raised to 1.05p (adjusted 0.875p) for a total payment up from an equivalent 1.4205p to 1.704p.

The directors say the group's cash flow was again very strong. After capital expenditure of £1.82m and a further £1.4m paid in cash for acquisitions, Halma's net cash balances at the year end were higher at £2.58m.

Net tangible assets rose 20 per cent to a record 28.6p per share.

In April, the group announced the purchase of Norgan, a sound meter manufacturer, which represented its sixth acquisition in one year. The group's policy is to buy about five companies operating in similar markets each year.

At the trading level, profits moved ahead from £3.95m to £5.3m, before £75,000 (£65,000) employee share scheme allocation and interest received of £57,000 (£4,000).

Tax charge was £1.93m (£1.49m) and after minorities of £16,000 (£7,000) and an extraordinary debit of £48,000 last time, net attributable profits came through at £3.33m, compared with £2.35m.

● comment

At a time when the City has rippled with the rhetoric of mega mergers, the Halma Group has slowly, but surely turned the science of the small acquisition into an art. Halma swooped on five companies in its last financial year—which collectively contributed half the growth in both turnover and profits—and has swooped on two so far this year. The Halma style is to use its position as a cash rich company with a high multiple, to catch smaller fry in high margin, *niche markets* with smaller multiples. Thus far it has done so with considerable success without jeopardising organic growth, which is still strong across almost every area of activity. This combination of organic and acquisitive growth produced yet another record set of profits for these results and looks likely to do so again in the current financial year. The City expects profits of at least £7.2m fuelled by the first contribution from A and G and the return to profit of the troublesome US subsidiary, Acquionics. On yesterday's share price, which profit takers drove down by 12p to 268p, this would reduce the multiple to a more manageable 21.

Health Care expands to £0.5m

Health Care Services reported a five-fold increase in pre-tax profits in the year ended March 1986. And, as forecast at the interim stage, the company is paying its first dividend with a proposed final payment of 0.75p.

On turnover up 35 per cent to £7.08m (£5.27m), pre-tax profit came out at £505,000 against £101,000 last time. Earnings per share for this USM-quoted company improved from 0.8p to 2.5p.

The hospital division achieved significant increases in turnover and profits improved from £11,000 to £241,000 with the major part of the increase coming from Gardens Hospital, Hendon.

The personnel division increased profit from £90,000 to £264,000. The range of personnel provided has been extended and the company is now a preferred provider for locum doctors with seven district health authorities.

Watson & Philip 28% up halfway and confident

Watson & Philip, food distributor, has improved pre-tax profits by 28 per cent in the first half of the year. Although all divisions face continued stiff competition, Mr James Hadden, the chairman, says the progress made enables the group to face the rest of the year with confidence.

On turnover 33 per cent ahead from £54.69m to £72.56m, the pre-tax result rose to £578,000 (£452,000) in the six months to April 25 1986. The Dundee-based group achieved £1.11m pre-tax in the year to October 25 1985.

The chairman says the current trading performance is encouraging and accordingly the interim dividend is increased to 2p (1.7p) per 10p share. Stated earnings moved ahead from 3.4p to 3.8p.

The cash and carry division improved profits to £466,000 (£268,000), on turnover up at £45.76m (£28.56m). The Edinburgh and Morpeth depots, acquired last October, performed well up to expectations, the chairman states, and other depots have al responded to "vigorous marketing."

Sales growth in the delivered grocery division, up from £11.71m to £12.44m, is being obtained in a fiercely competitive market. The profits advance to £146,000 (£129,000) was achieved due to the additional sales and close cost control.

The group's catering sector last year withdrew from major involvement in oil-related business. The deterioration in oil trading business affected the volume and profitability of its remaining oil-related business. Profits in this division fell from £71,000 to £65,000 on lower sales of £8.17m (£8.64m), and while other aspects of the division's business face increasing competition, the directors remain confident about its long-term prospects.

Both sections of the import/export division moved forward, with the import side continuing to have the major impact on profits, which rose from £54,000 to £70,000. Turnover was £5.89m (£5.45m).

The group's retail activity improved to £28,000 (£56,000) on sales of £2.82m (£2m).

Tax took £214,000 (£165,000) for the period, to leave attributable profits of £364,000 (£20,000) after extraordinary debits last time of £267,000.

JOHN J. LEES, Lanarkshire-based confectionery manufacturer, reported pre-tax profits for year to end-March 1986 of £229,544 (£119,366) on turnover of £3.98m (£3.52m). Final dividend of 1.5p is proposed making total of 2p (1.45p adjusted). Earnings per share were 8.06p (*adjusted 7.45p*).

John Booth profit in second half

John Booth & Sons (Bolton), *structural and welding engineer,* returned to the black in the second half of 1985-86. But the directors warn that the current year is expected to be difficult due to continuing depressed trading conditions in the heavy fabrication sector of the structural steelwork industry, and the "well published" problems of the offshore industry.

The second half profit of £444,000, which resulted in a full year surplus of £70,000 pre-tax against £112,000, stemmed from the release of provisions made in the first half on certain contracts following final settlement, and exceptional increased activity relating to offshore contracts in the second six months.

Earnings per share for the year to March 31 fell from 12.24p to 1.48p, after pre-extraordinary debits of £235,000 for redundancies, closure expenses, reorganisation and consolidation of major manufacturing facilities on to a single site at Hulton Steelworks, Bolton. The dividend is being cut by 50 per cent to 1p.

CROWN INTERNATIONAL Productions increased sales from £750,000 to £2.08m in six months to end-March 1986 and pre-tax profits from £202,000 to £228,000. Interim dividend is 1.05p (same) net. The USM company is engaged in film, TV and video production.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: A. G. Barr, Charles Baynes, Eldridge Pope, Hardys and Hansons, Morceau, Newman Tonks.

Finals: Anderson Strathclyde, Brown and Jackson, Cable and Wireless, *Charter Consolidated, ERF,* Fuller Smith and Turner, Greycoat, Howard and Wyndham, Janter, MK Electric, Zambia Consolidated Copper Mines.

FUTURE DATES

Interims:	
Berkeley Technology	July 4
Blue Arrow	June 30
Crest Nicholson	*June 26*
Domino Printing Sciences	July 7
Throgmorton Trust	July 1
Widney	June 30
Finals:	
Courts (Furnishers)	June 27
Davy	July 3
HAT	July 15
Hollas	July 2
Joseph (Leopold)	*June 30*
Mercury International	June 30
Mountleigh	July 2
Read Executive	July 1
Vinten	July 7

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§125	F.P.	24/7	142	136	‡Accord Publications 5p	142	......	R d3.1	2.6	3.1	17.9
150	F.P.	30/6	151	138	Alumasc Group	150	......	R5.85	2.5	5.5	10.4
115	F.P.	11/7	180	155	Arlington Sec. 10p	180	+5	b1.7	4.3	1.3	24.7
150	F.P.	20/6	161	148	Barker (Charles) 5p	150	......	u3.0	3.1	2.8	16.3
147	F.P.	4/7	140	130	Black 5p	137	......	R3.4	3.1	3.5	13.1
145	F.P.	25/7	175	160	Bredero Props	162	+2	R4.25	2.3	3.7	13.8
§60	F.P.	20/6	61½	54	‡Brit. Isl. Airways 10p	56	−1	bd2.82	2.1	7.1	7.8
§110	F.P.	18/7	115	108	‡C'bell & Armstrong 5p	110	......	u3.91	1.9	5.0	14.0
§130	F.P.	4/7	167	150	‡Clarke Hooper 5p.	151	......	b2.3	2.9	2.2	22.7
§84	F.P.	—	86	85	‡Coated Electrodes 5p	86	......	u3.9	1.6	6.4	13.4
§125	F.P.	6/6	138	123	Comb. Lease Fin. 50p	127	......	L1.35	3.9	1.5	18.3
107	F.P.	27/6	131	113	Dalepak Foods 5p	128	+3	R2.3	3.2	2.5	17.4
§155	F.P.	6/6	232	172	‡Davies (D.Y.) 5p.	214	−2	u3.4	2.7	2.2	23.1
§50	F.P.	11/6	62	50	‡Dean & Bowes 5p	62	......	L2.5	1.5	5.7	16.7
§130	F.P.	6/6	151	133	‡Debfor 10p.	136	......	u4.0	2.7	4.1	12.8
§58	F.P.	4/7	63	59	Denistron Intl 5p	63	......	a1.65	2.1	3.7	16.1
§39	F.P.	27/6	42	32	‡Eadie	41	......	R1.75	2.0	6.0	9.9
120	F.P.	17/7	123	111	Evans Halshaw	122	......	u3.38	3.1	6.7	8.0
140	F.P.	4/7	130	120	‡Fields (Mrs) Inc$0.05	120	......	RQ4.5c	2.6	2.6	15.2
150	F.P.	25/6	155	150	Guthrie Corp	153	......	u5.3	2.2	4.9	9.8
140	F.P.	20/6	150	141	Haggas (John) 10p	142	......	u3.0	3.2	3.0	14.7
§85	F.P.	—	93	90	‡Hodgson Hldgs 5p	91	......	R2.13	2.3	3.3	16.5
104	F.P.	—	118	90	Jarys Hotel	102	−4	u3.75	2.1	5.2	11.3
145	F.P.	16/7	130	125	Lopex 5p	127	−3	R4.0	2.3	4.4	13.6
‖‖	F.P.	—	62	49	Merlin Int'l Props	53	−1	a0.58	2.0	1.5	39.3
157	F.P.	26/6	157	145	‡Monotype Corpn 10p	156	......	R4.4	1.6	4.0	15.5
165	F.P.	18/6	190	170	P-E International 10p	180	......	1.8	3.4	1.4	29.0
§100	F.P.	27/6	105	103	‡Savage Group 20p	104	......	R3.0	2.5	4.1	13.8
—	F.P.	—	43	43	Smith Newcourt War'ts.	43	......	—	—	—	—
§40	F.P.	31/7	42	38	‡Soundtracs 5p	38	−1	61.2	2.8	4.4	11.3
§95	F.P.	25/7	110	106	‡Task Force 5p	106	−1	R1.78	3.8	2.4	15.7
112	F.P.	8/8	121	116	Tenby 50p	116	−3	u4.0	2.6	4.9	9.0
§100	F.P.	23/6	102	91	‡Usher (Frank) 5p	93	+1	u4.5	1.9	6.8	11.1
§110	F.P.	26/6	151	123	‡Worcester 10p	151	+2	u3.91	2.2	3.6	14.9

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
‖	Nil	5/8	11pm	5½pm	Ansari 8% Cum. Conv. Red. Pref.	5½pm	−1½
§97.947	£25	—	25⅞	25¼	Baskens Inv. Tst. 10½% Deb. 2016	25⅞	+⅛
§99.50	£10	28/8	9¼	9	Bristol Water 9.8% Red Deb '96	9	......
§99.256	£30	29/8	30¼	27⅞	Bris. Alcan Aluminium 10⅛% Deb. 2011	27¾	+¼
¶¶	F.P.	—	99½	97	Brit. Emp. Secs. 10⅛% Deb. 2011	98	+½
§94.203	£25	31/10	25⅝	23¼	Brixton Est. 9.5% 1st Mort Deb 2026	23¾	+¼
109.89	£40	29/8	40	37¼	Estates & Gen. 11¼% 1st Deb. 2018	37½	......
§94.45	£30	31/10	29[illegible]	29¼	European Inv. Bank 9%Ln 2001	29[illegible]	+⅛
‖	Nil	4/8	7½pm	5pm	Friendly Hotels 5% Conv. Cum Red. Pref.	5pm	−1
97.963	£25	24/10	25⅛	20⅝	Gt. Portland 9½% 1st. Mort. Deb. 2016	20⅝	−¼
105.523	£25	21/8	26	20⅝	Land Securities 10% 1st. Mort. Deb.25	20⅝	+⅛
§99.951	£40	14/7	42	37	Lon. Prov. Shop 10% 1st. Mtg. Deb. 2026	37	......
§99.793	£25	24/9	24⅝	21½	Lon. Shop Prop. 10% 1st. Mort. Deb. 2026	22	......
—	F.P.	—	100½	99[illegible]	Nationwide 9[illegible] 15/6/87	99⅞	+⅛
§97.50	F.P.	11/7	97⅞	97	Paribas Concorde Tst.9.364% Deb. 1991	97	......
§99.623	£40	30/6	41¼	36	Peel Hldgs. 9⅞% 1st. Mort. Deb. 2011	36	......
§87.179	£30	26/9	30⅞	28⅝	Portugal 9% Ln. 2016	29	+¼
§99.888	£40	1/8	44	39½	Queens Moat 10¼% 1st. Mort. Deb. 2020	39¾	+¼
§108	£50	10/10	46	44½	Smith New Court 12pc Uns. Ln. 2001‡‡	46	+½
§99.480	£25	18/7	31⅛	24¾	S.E. 10⅛% Mort. Deb. 2016	25	−⅛
§99.50	£10	28/8	9¼	8	Sund. & S. Shields Wtr 9.8% Rd Db '96	8	−¼
§48.835	F.P.	15/8	48⅝	47⅞	Tesco 4% Uns Deep Dis Ln 2006	48⅝	+⅛
¶¶	F.P.	—	125p	112p	Tomkins (F.H.)5.6% Cum. Cnv. Red. Prf	125p	......
99.073	£25	8/8	25¼	23⅛	Tops Est. 10¼% 1st. Mort. Deb. 2011/16	23⅞	......
¶¶	F.P.	—	106p	104p	Williams Hldgs. 5¼% Cum. Conv. Red. Pref.	105	−1
£100	£50	12/9	50¼	47½	Witan Inv. 8½% Deb 2016	47⅞	−⅛

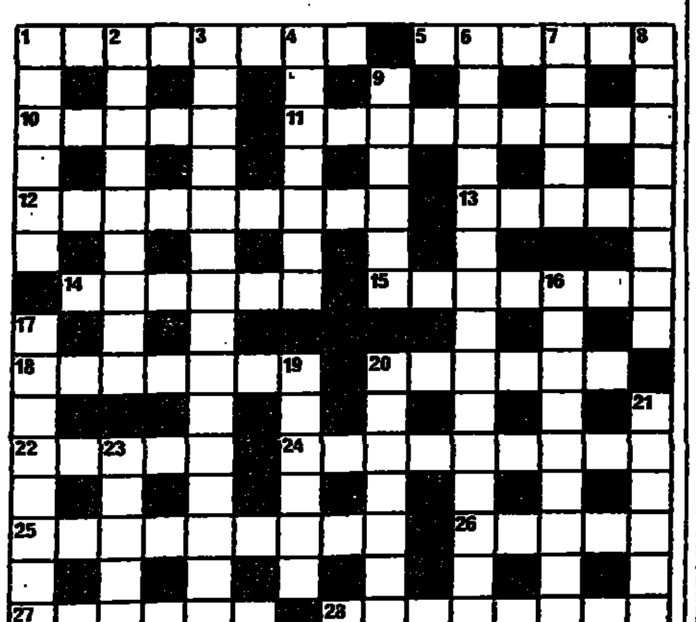
"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
40	Nil	—	11pm	9pm	Anglo African Fin. 7½p	9pm	......
470	Nil	—	200pm	112pm	Antofagasta Hldgs. £1	112pm	−13
110	F.P.	11/7	139	132	Britannia Arrow	138	+1
190	Nil	8/8	45pm	28pm	Clifford's Dairies	28pm	......
170	Nil	8/8	27pm	22pm	Do A N/V	22pm	......
880	Nil	—	135pm	135pm	De la Rue	135pm	......
30	F.P.	18/7	41	34	Feedex Agricultural 10p	35	−2
47	Nil	15/8	11pm	9pm	Five Oaks Invs.	9pm	......
300	F.P.	24/7	345	328	Gerrard & Natl.	328	......
235	F.P.	18/7	263	240	Lep. Group 2p	243	−2
235	F.P.	11/7	262	247	McCarthy & Stone 20p	255	+2
45	F.P.	11/7	95	88	Molynx 20p	90	......
200	Nil	18/7	305pm	250pm	Nat West Bank £1	285pm	−2
18	Nil	23/7	5pm	1pm	Neil & Spencer 10p	4pm	+1
50	Nil	—	101pm	101pm	‡Pineapple Dance Studios 10p	101pm	......
£14	Nil	—	£5pm	£5pm	Priest Marians £1	£5pm	......
2	F.P.	15/7	4⅛	2¾	‡Property Trust 'A' 1p	4⅛	......
600	F.P	22/7	835	748	Prudential Corp	832	−3
½	Nil	11/7	2½pm	1¼pm	Rotaprint ½p	2½pm	......
285	Nil	6/8	50pm	43pm	Scottish TV 10p	50pm	......

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by lastest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡ Unlisted securities market. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under 535 (4) (a) †† Official London listing. ‡‡ Including warrants entitlement.

F.T. CROSSWORD PUZZLE No. 6,056

PROTEUS



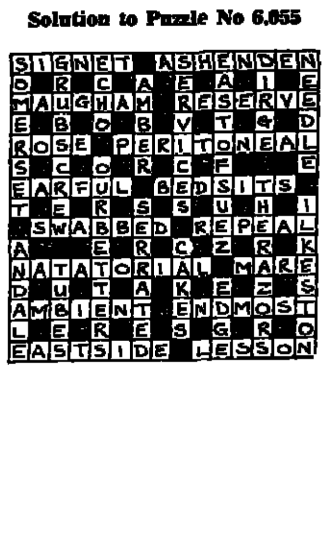
ACROSS

1 In hopeless state over French priest (4, 4)
5 Fights for left-overs (6)
10 False notions' return regarded in special odium (5)
11 Frost-flag put out on boundary (9)
12 Squid family in military formation? (4, 5)
13 Yarn about artist "over there" (5)
14 Cowardly spirit yet gay? (6)
15 They enjoy being cruel to staid characters on board ship (7)
18 Tools for little boys (7)
20 Joint-operator recognised for getting round law (6)
22 Split part of bulb (5)
24 Make game of inferior porcelain (9)
25 Tide-turning: or getting one over the French leader (9)
26 Move slowly through stroke (5)
27 It's a big step but I'd throw the rest out (6)
28 Takes chair having second thoughts about army team? (8)

DOWN

1 Original friend has the edge (6)
2 Platforms giving campers extra protection? (5-4)
3 Re-write history but talk about something else (6, 3, 6)
4 Censure traveller over order (7)
6 University entertainment in London thoroughfare (9, 6)
7 Suitably adapted play for model to appear in (5)
8 Painful sensation from turning statue on head (8)
9 Blunder so unfortunately in examination (6)
16 Diminutive workman's quick method of communication (9)
17 Commonly said to be purloiners of underwear (8)
19 Make suggestion that doctor should turn in formal attire (6)
20 He cannot be described as a straight musician (7)
21 Fishes in corners (6)
23 Willow—one seen to be in sore straits (5)

Solution to Puzzle No 6,055



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Wardley Unit Trust Managers Ltd (a)
Wardley House, 7 Devonshire Sq, EC2 01-929 1532

American Tst	65.2	70.2xd	-1.2	1.6
Far East & Gen. Tst.	90.0	95.7	-1.0	1.0
Intl Growth Tst	67.3	71.6xd	-0.5	0.8
Income Tst	80.3	86.4	+0.1	5.6
Japan Growth Tst	108.8	117.0	-0.5	0.2
Small Cos. Tst.	117.1	126.0	-1.7	1.9
T'chnlgy Tst.	33.7	36.2	-0.2	0.2
Australia Trust	41.9	45.0	-1.2	1.8
UK Trust	127.0	135.2xd	+0.1	2.8
European Growth Tst	47.9	51.0	-0.7	1.2
Hong Kong Tst	20.5	21.8	-0.5	1.5

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	15.9	16.9	-0.4	0.15
Pacific Basin	14.2	15.1	-0.1	0.2
Canadian Balncd Growth	61.9	66.1	....	0.95
Commer Mar	99.0	103.1	....	7.9

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's U/I	57.0	58.6	....	1.90
British Growth U/I	66.6	68.5	-0.2	1.75
British Income U/I	65.0	66.8	-0.3	4.75
British Extra Yield U/I	51.5	53.1	+0.1	6.50

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.2	68.3	-	0.99
U S. Govrnmt Bond F	50.502	0.504	...	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Capital & Equity Tst	49.3	52.9	-0.1	7.58
Growth Trust	51.1	54.4	-0.1	2.24
Income Trust	54.8	58.3	-0.3	5.02

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

[illegible]

The Yorkshire General Trust

[illegible]

INSURANCES

Cannon Assurance Ltd—Continued

Index	113.4	120.0	....	—
Far East	166.0	175.7	+1.3	—
Global	94.9	100.4		—
European	95.6	101.2		—
Japan	97.7	103.4	-0.9	—
2nd Series Pension Accumulation				
Equity	488.7	517.1	-1.3	—
High Income	322.2	341.0	-0.5	—
Property	277.1	293.3	+0.2	—
Managed	336.4	356.0	....	—
Deposit	248.6	265.1	+2.6	
Gilt	255.7	267.8	-2.3	—
American	392.6	415.4	....	—
International Money	253.1	267.8	-0.7	—
Index	124.0	131.2		—
Far East	179.3	189.7	+1.6	—
Global	95.9	101.5	+1.0	—
European	98.6	104.3	+2.8	—
Japan	98.6	104.3	-0.7	—
Other Funds				
Equity Units		64.36	-0.16	—
Property Units		21.07	-0.04	—
Equity Bond/Exec.	41.47	43.88	-0.11	—
Property Bond/Exec.	28.40	30.05	-0.07	—
Balanced Bond/Exec.	33.32	35.26	+0.01	—
L&E SIF 1	109.0	115.5	...	—
L&E SIF 2	71.5	75.9	...	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	98.0	104.0	.	—
Risk & Reward Bond	120.0	127.0	—	—
Murray Johnstone Fd	116.0	123.0	- -	—
Money Market Fd	99.0	105.0	---	—
Ivory & Sime Pens Fd	94.0	100.0	---	—
Risk & Reward Pen. Fd	102.0	108.0	----	—
Murray J'stone Pen Fd	114.0	120.0	---	—
Money Market Pen Fd	99.0	105.0	---	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LA Tel: 0908 606101/660888

Current Series				
Property Fund	111.8	117.7	---	—
Money Fund	218.5	230.0	..	—

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

NOTES

TRADITIONAL OPTIONS

3-month call rates

COMMODITIES AND AGRICULTURE

Sheep crisis stretches Britain's radioactivity testing resources

BY MAX WILKINSON, RESOURCES EDITOR

PUBLIC CONFIDENCE in the effectiveness of the Government's arrangements for monitoring the radioactive fall-out from the Chernobyl reactor disaster was plunged into further confusion yesterday by a new ban on the slaughter and movement of sheep in parts of Scotland.

On Friday, the Ministry of Agriculture, Fisheries and Food announced a 21-day ban on the slaughter of lambs in parts of Wales and Cumbria because radioactivity had breached the "*action level*" *of* 1,000 becquerels per kilo. (A becquerel is the measure of radiation absorbed by biological tissue.)

Over the weekend and on Monday Ministry officials were assuring the press that radiation levels had reached a peak and appeared to be on the decline. Then unexpectedly the new ban was announced yesterday, much to the private annoyance of farmers.

This sequence of events is particularly odd since the Ministry has admitted that the first high readings on lambs were recorded on May 16, *although the potential health* hazard was not made known until the ban was announced more than a month later. It is particularly odd therefore that the MAFF and the Scottish Office could not get their acts together. The manner of their anouncements obviously raises *the question whether* more unpleasant surprises are in store.

Could dangerous concentrations of radioactive caesium from the Chernobyl nuclear explosion yet be found in other animals or growing food?

The select group of eight scientists at MAFF, which has been in charge of monitoring the fal-out from the Russian power station disaster during the past two months, continues to believe the worst is now over.

This is largely because the build-up of radioactive caesium in ewes' milk over two months is offset by the tendency of the animals to get rid of the substance *by the normal process of* excretion. Although radioactivity in caesium halves every 30 years, its virulence halves in a lamb every 20 days (50 days for a fully grown sheep and 100 days for a human).

Officials believe that careful monitoring of milk samples, vegetables and analysis of rainfall after the Chernobyl disaster have minimised the chance of an unexpected concentration of radioactivity somewhere else in Britain.

Nevertheless, the operation has raised serious questions as to how well prepared Britain would have been to cope with a worse nuclear emergency—one for, example, which might have showered the country with higher concentrations of radioactive material over a much wider area.

The levels of radiation detected in Britain immediately after the Chernobyl accident were so *low that* milk and *fresh* vegetables were declared fit for consumption in the days immediately after the accident.

But now two months later, the Ministry of Agriculture is fully stretched on trying to keep track of the radiation levels in lambs, which until last *week were rising steadily* in some areas.

The Ministry's testing laboratory at Weybridge can process and analyse samples from only about 30 animals per day. This means that it is fully stretched trying to keep track of average radiation levels in Wales and Cumbria.

It has to put in a hasty order for more testing equipment but it is not certain that this will be available in time to help with the present emergency.

Meanwhile the Ministry's laboratory at Lowestoft has been diverted from its usual job of monitoring pollution in *fish, to keeping a more general* check on lamb and other foodstuffs in the rest of the country. They have also pressed private laboratories into service.

It is therefore fortunate that rainfall immediately after the Chernobyl disaster was concentrated in only two regions, *and that even* in these regions concentrations of radioactivity have in most cases been only a little above the levels at which the Ministry must take action.

For one of the difficulties facing the scientists in charge of the operation is that samples taken from the worst affected areas do not give a complete view of true radiation levels throughout the region. However carefully the specimens are selected by regional officials and vets, they represent only a small sample of the total livestock in the area.

The Ministry then has to apply statistical techniques deducing *from the dispersion* of its results what the worst levels of radioactivity might be expected to be. The wider the variation between different test results, the more samples are needed for scientists to be certain that a suspected area can be declared safe once again.

Speed is also important. But the process of selecting and killing an animal and preparing samples for the laboratory is inherently slow. For this reason, *special aricraft* deliveries were made in the early days of the emergency, although the Ministry has now reverted to road transport.

Efforts to find instruments capable of detecting low levels of radioactivity in live animals have so far been unsuccessful, although there is now some hope that an instrument which could provide a rather crude indication will become available.

In one case a radiation level of 4,000 bq per kilo was found in a lamb which had already been put on the market. However this is still well below the international safety level equivalent to about 10,000 bq per kilo, which is itself about a hundredth of the dose likely to cause symptoms of sickness.

The so-called "action level" of 1,000 bq/kg has been been set deliberately low, partly because of the known problems *of deducing general levels from* samples. Nevertheless, with the country highly sensitive to radiation hazards, it would be a publicity disaster for the *ministry* to lift the 21 day ban unless it was absolutely certain that no animal would be found to have a radiation level higher than the action limit.

But are any other foodstuffs at risk? Officials believe not although they will continue to monitor crops like fruit and grain as they ripen.

The reason is that caesium is "fixed" by certain chemicals in the soil, particularly in clay. This means it is not dissolved in water and therefore comparatively little will be absorbed by trees and other plants through the roots.

The corollary, however, is that caesium remains in the soil with its radioactivity decaying only slowly. The radioactive material ingested by animals will also be *returned to the soil. In most* areas the additional radiation in the soil will be extremely small, but it is possible that pockets could accumulate in certain places which would breach safe levels of radiocativity.

Israel's flower trade enjoying bumper year

By Judith Maltz in Tel Aviv

ISRAELI EXPORTS of cut flowers, which hold an approximate 45 per cent share of the European flower import market, are enjoying one of their best years ever.

The end of season results, covering October 1985 to May 1986, show that export earnings increased by 62.4 per cent to $76.5m. But the actual number of flowers exported went up by only 4.2 per cent to 684m.

This performance has been attributed chiefly to external development. The most important factor was the strengthening of European currencies against the US dollar since Europe purchases some 95 per cent of all Israeli flower exports and the Israeli economy is pegged to the dollar. In addition, prices for Israeli flowers in Europe were, on average, 11 per cent higher this year than last. A relatively mild winter in both Israel and Europe also provided favourable conditions for growth and distribution.

Flower exporting is a fairly new business in Israel having begun only about 20 years ago. Today over 90 per cent of the country's flower production is marketed overseas, and during the winter months Israel accounts for 12 per cent of the total volume of flower trade in Europe.

Agrexco, Israel's state-run agricultural exporting company, is contracted by the Israeli Flower Board to market some 85 per cent of the country's flower exports.

It sells about 60 per cent directly to the flower bourses in Holland, Germany and Belgium and the rest—under the brand name "Carmel"—through its European subsidiaries. The other 15 per cent of the country's exports are marketed by six private companies.

Israel's main competitors in the winter flower market are Spain, Kenya and Colombia. But according to Mr Haviv Haze, Agrexco's flower marketing manager, Israeli flowers fetch prices that are on average 15 per cent higher than the others because of better quality and servicing. In the flower business, this means freshness and prompt delivery.

Freshly cut flowers are flown daily from Tel Aviv to Cologne in West Germany, where they are distributed by trucks to their main destinations. From the time the flower is cut in Israel until it reaches the European markets is only a matter of 48 hours.

The country's 4,200 flower growers — mostly private farmers and members of communal settlements, or "moshavim," are now working to increase the variety of flowers they can offer their overseas customers.

To this end, research is under way to adapt tropical flowers to Israel's typically Mediterranean climate; to acclimatise European summer flowers to the Israeli winter; and to develop unique Israeli flower species. At the same time, new labour saving technologies are being adopted to reduce costs and increase efficiency.

EEC ministers reach pig trade accord

BY TIM DICKSON IN LUXEMBOURG

EEC Agriculture Ministers last night reached tentative agreement on a new package *which will boost the incomes of* French and British pig farmers and preserve the well being of their German counterparts.

The delicate balancing act was achieved after an arduous all-day negotiating session at the Ministers' monthly meeting in Luxembourg.

The new proposal — designed to overhaul the complicated system of import subsidies and export taxes known as monetary compensatory amounts or MCAs — has been endorsed by a majority of member states although Britain and Spain are both reserving judgment until they see a report by technical experts which will be produced today. Only Belgium has rejected the new ideas out of hand.

The new proposals follow the French concern at the impact on their producers of a *negative* MCA, effectively a levy on a weak currency nation to reduce the inherent *advantage* to its exporters and the level of which was to have been raised following the April realignment of EMS currencies. In fact, Mr Francis Guillaume, the French Agriculture Minister, won a suspension of pigmeat MCAs as part of his agreement to the overall EEC farm price package.

The Ministers yesterday modified a Commission proposal for reform and agreed instead to *institute* a complex alternative of their own.

Herd cuts boost US hog futures prices

LIVESTOCK MARKETS on the Chicago Mercantile Exchange were at a standstill yesterday with contracts across the board bid up the permissible daily limit as soon as trading started.

Hogs and pork bellies for July delivery were up the maximum 1.5 and 2 cents respectively 56.3 cents and 76.12 cents per lb. The momentum spilled over into CME feeder and live cattle contracts which were also bid limit up to 61.70 and 56.42 cents for the August delivery month.

The move followed the publication of a Government report after close of trading on Monday stating that American hog herds had declined to an 11-year low. The report estimated the US *hog* and *pig population* as of June 1 at 48.8m head—down 7 per cent from the year earlier level. The breeding hog population registered an even steeper year-on-year decline: down 9 per cent to 6.4m head, the lowest June figure since inventory estimates began in 1964.

Analysts now believe that the reasonably buoyant May market proved tempting to many producers. Low beef and cattle prices, caused partly by the Government's sale to slaughter of dairy animals to control the milk surplus, has discouraged producers of competing commodities, they added.

Markets are expected to remain buoyant for the remainder of the week.

BP sees growth in oil demand

By Max Wilkinson

FUNDAMENTAL FORCES in the oil market are likely to tend to keep prices in the range between $12 per barrel and $30 per barrel, Dr John Buchanan, general manager of corporate planning for British Petroleum said yesterday.

He was introducing the latest edition of the BP Statistical Review of World Energy which suggests that demand for oil will grow at the rate of between 2 to 3½ per cent a year for the next two years.

Dr Buchanan said that if oil prices fell below about $12 to $15 per barrel for a sustained period, oil would be competitive with other fuels, particularly coal and gas and would start displacing them. On the other hand at above $30 per barrel oil was uncompetitive.

BP estimates that if the oil price were to remain at $10 per barrel until the end of the decade, an additional 4m to 5m barrels a day of demand would be stimulated while potential supplies would be reduced.

Mr Russel Seal, BP's general manager of oil trade and supply, said the effect of Saudi Arabia's decision a year ago to abandon its role as a "swing producer" and to expand its market share had been associated with significant reductions in output by other countries, particularly Mexico and Iran.

Saudi Arabia's action had boosted its revenues for a time, but they were now falling again as a result of weaker oil prices. By last August the kingdom's oil revenues had fallen to a low point of the annual equivalent $10bn to $11bn, compared with $23bn for the year as a whole.

BP Statistical Review of World Energy, Government and Public Affairs Dept, Britannic House, Moore Lane EC2Y 9BU. £5.00.

UN food agency sees brighter supply outlook in Africa

BY MARY ANNE FITZGERALD IN NAIROBI

FOOD PRODUCTION in sub-Saharan Africa has recovered well after the 1984 drought, leaving 12 African countries with surplus grain harvests available for redistribution, according to the FAO's latest report on the food supply situation and crop prospects for the region. Only six countries still required exceptional emergency relief, the report said.

Botswana, facing its fifth consecutive year of drought, expects a shortfall of up to 90 per cent of its cereal consumption requirements this year. In West Africa, the Cape Verde Islands is the only country that was severely affected by drought in 1985.

Additional food is needed for the drought-affected and displaced populations of Ethiopia and Sudan. In Angola and Mozambique planting and the distribution of inputs has been interrupted by continuing civil disturbances with the governments of both countries fighting guerrilla insurgencies.

The report is the third in a series being issued by the FAO this year. It is designed to provide a comprehensive assessment of the African food situation and give early warning of impending food shortages so that donors can respond with grain shipments before an emergency develops.

The outlook for food supplies in the region's other 39 countries is relatively bright following good to record harvests last year. Overall production estimates for 1985 have been modified slightly downwards from forecasts made in April to 54m tonnes, 20 per cent more than the poor harvest of 1984. Even so, all the countries will experience some form of cereal deficit in 1985/86, mainly of wheat and rice.

The FAO report calls for further assistance from the international community to dispose of exceptional surpluses from 12 countries through what it terms "triangular transactions," where donors act as intermediaries between surplus and deficit areas.

Six countries — Benin, the Ivory Coast, Kenya, Malawi, Sudan, Togo and Zimbabwe — had exportable surpluses totalling 1.6m tonnes from 1985 harvests, the report said. Surpluses of 500,000 tonnes also needed to be redistributed internally in Burkina, Faso, Chad, Mali, Niger, Senegal and Sudan.

Donors have already agreed to undertake the export of another 236,000 tonnes to neighbouring countries.

Despite good weather patterns crops in Sahelian countries in West Africa due to be harvested later in the year face a serious threat from a potential plague of grasshoppers which could severely damage the main season cereal crops.

In Eastern Africa the worst outbreak of several species of migratory locusts in 50 years is anticipated. If not contained, it could cause heavy crop losses.

MARKETS LONDON

CONTINUED TALK of an imminent change in Brazil's export pricing policy kept coffee futures under pressure on the London futures market yesterday. And with weather forecasters still expecting the mild weather to continue in the Brazilian coffee belt, frustrating bullish speculators' hopes of a damaging frost and soaring prices, the September futures position fell another £80.50 to a nine-month low of £1,770.50 a tonne. On the London Metal Exchange copper values led a general decline in base metals prices with the cash position finishing the day £17.50 down at £919.50 a tonne. Sterling's early firmness against the dollar and news that Noranda copper workers at the Montreal refinery had ended their three-week strike were quoted as factors in the fall. Dealers also said the fall was extended late in the day by a burst of stop-loss selling.

LME prices supplied by Amalgamated Metal Trading.

INDICES

REUTERS

June 24	June 23	M'th ago	Year ago
1525.8	1536.2	1758.0	1769.0

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	June 23	June 20	Month ago	Year ago
Spot	120.55	120.07	—	119.73
Fut	114.08	113.19	—	118.61

(Base: December 31 1931 = 100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

[illegible]

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or –	High/low
Cash	769-70	–1.0	781.5/751.5
3 months	760-0.5	–1	763/757

Official closing (am): Cash 761-1.5 (773.5-4); three months 762.5-3 (777-7.5); settlement 761.5 (774). Final Kerb close: 757-58. Turnover: 42,400 tonnes.

COPPER

	Unofficial close	+ or –	High/low
Cash higher grade	919-20	–17.5	—
3 months grade A	937-8	–16.25	945.5/937

Official closing (am): Cash 924.5-5 (933-3.5); three months 944-4.5 (952-2.5); settlement 925 (933.5). Final Kerb close: 927.5-27.

Cash Cathodes	905-10	–12	915/915
3 months standard	918-20	–10.5	—

Official closing (am): Cash 912-5 (917-20); three months 922-7 (922-8); settlement 915 (920). US Producer prices 66/72 cents per pound. Total turnover: 68,500 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or –	High/low
Cash	276-9	–3	277.5/277.5
3 months	278-9	–3	281/276.5

Official closing (am): Cash 277.5-8 (284-5); three months 277.5-8 (283-4); settlement 278 (284.5). Final Kerb close: 276-77. Turnover: 10,400 tonnes. US Spot: 22/24 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or –	High/low
Cash	2700-5	–50	2715/2705
3 months	2710-5	–1.25	2785/2700

Official closing (am): Cash 2705-6 (2760-5); three months 2720-5 (2760-5); settlement 2706 (2765). Final Kerb close: 2700-10. Turnover: 1,686 tonnes.

GOLD

Gold rose $2¾ an ounce from Monday's close in the London bullion market yesterday to finish at $343-343½. The metal opened at $341-341½ and traded between a high of $343¾-343¾ and a low of $340¾-341. Trading was rather quiet and uneventful in London, with a firmer trend in silver in New York underpinning the firmer trend.

GOLD BULLION (fine ounce) June 24

[illegible]

GOLD AND PLATINUM COINS

[illegible]

TIN

KUALA LUMPUR TIN MARKET: Close 14.07 (14.07) ringgit per kg. Unchanged per kg.

ZINC

[illegible]

Official closing (am): Cash 531.5-2 (536.5-7); three months 537-7.5 (541-1.5); settlement 532 (537). Final Kerb close: 528-29. Turnover: 13,500 tonnes. US Prime Western: 38.5/41.75 cents per pound.

SILVER

Silver was fixed 8.8p an ounce lower for spot delivery in the London bullion market yesterday at 334.25p. US cent equivalents of the fixing levels were: spot 505.65c, down 4.85c; three-month 514.05c, down 4.85c; six-month 522.65c, down 5c; and 12-month 540c, down 4.5c. The metal opened at 336-337p (508½-509½c) and closed at 336½-338p (509-511c).

[illegible]

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 96.46p per kg lw (–2.23). GB—Sheep 144.40p per kg est dcw (–45.76). GB—Pigs 75.47p per kg lw (+1.58).

[illegible]

COCOA

An indifferent opening was followed by a quiet trading session with futures confined to a narrow range. Apart from light price fixing, actuals found little interest from either producers or industry, reports Gill and Duffus.

[illegible]

ICCO indicator prices (US cents per pound). Daily price for June 24: 95.65 (94.75); five-day average for June 25: 95.22 (95.32).

COFFEE

[illegible]

SOYABEAN MEAL

Prices moved lower on commercial selling in light volume in an otherwise featureless market, reports Muirpace.

[illegible]

GRAINS

Old crop wheat steadied on small first day tender figures, reaching highs of 50p up on nervous short-covering. New crops eased sharply on shipper/merchant speculative selling, reports T. G. Roddick.

[illegible]

RUBBER

PHYSICALS — The London market opened slightly firmer, attracted fair interest throughout the day and closed on a steadier note, reports Lewis and Peat. Closing prices (buyers): Spot 57.50p (same); August 57.00p (same); September 57.25p. The Kuala Lumpur fob price (Malaysia cents per kg): RSS No 1 was 205.5 (205.0) and SMR 20 187.0 (186.5).

US MARKETS

CHICAGO LIVESTOCK futures soared as a USDA quarterly hog and pig report detailed deficits which surprised even liberal trade estimates, reports Heinold Commodities. A limit-up movement was registered immediately on the opening across the board—in hogs, pork bellies, and the cattle markets reflecting the unanimous market reaction to a report which clearly shows that the number of hogs retained for breeding purposes has been seriously underestimated, which then caused cattle values to rise in line. The situation was said to still leave cash meat markets at a wide premium and therefore traders expected continued strength in the next sessions. Coffee, on the other hand, was again subject to heavy selling pressure, with rumours of origin selling and a very weak technical aspect adding to the depressed mood of the latter part of last week. Talk that Brazil and Colombia were considering lowering their export prices seemed to die down a little, but was obviously an unsettling factor.

NEW YORK

GOLD 100 troy oz, $/troy oz; PLATINUM 50 troy oz, $/troy oz; SILVER 5,000 troy oz, cents/troy oz; SUGAR WORLD "11" 112,000 lb, cents/lb; ALUMINIUM 40,000 lb, cents/lb; COCOA 10 tonnes, $/tonnes; COFFEE "C" 37,500 lb, cents/lb; COPPER 25,000 lb, cents/lb; COTTON 50,000 lb, cents/lb; CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels; ORANGE JUICE 15,000 lb, cents/lb; HEATING OIL 42,000 US gallons, cents/US gallons

[illegible]

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb; LIVE HOGS 30,000 lb, cents/lb; MAIZE 5,000 bu min, cents/56-lb bushel; PORK BELLIES 38,000 lb, cents/lb; SOYABEANS 5,000 bu min, cents/60-lb bushel; SOYABEAN MEAL 100 tons, $/ton; SOYABEAN OIL 60,000 lb, cents/lb; WHEAT 5,000 bu min, cents/60-lb bushel

[illegible]

SUGAR

LONDON DAILY PRICE—Raw sugar $146.50 (£97.00), up $2.00 (unchanged) a tonne for July-August delivery. White sugar $176.00, up $1.00.

[illegible]

POTATOES

The market traded £4.00 down, basis April, as reports of extensive rain encouraged sellers on to the market which in turn hit stop-loss orders. Prices stabilised only before £121.00 as values approached an old chart support level of £120.00. Futures continue nervous as short-term bearish considerations (ie anticipated pressure on the physical market) continue to conflict with longer-term serious doubts over potential yield and overall plantings, reports Coley and Harper.

[illegible]

GAS OIL FUTURES

[illegible]

FREIGHT FUTURES

[illegible]

OIL

Forties sold at $11.00. Buyers for early July North Sea crudes were active at this level, 15-day Brent carried a premium for forward months but was not talked beyond October. On Nymex August WTI opened 10c down and traded 12c down at 1.30 pm EDT. In the petroleum products market prices continued to edge down because of high stocks and low demand. Fuel oil was stable with high freight rates in North-West Europe for delivery into the UK—Petroleum Argus, London.

[illegible]

JUTE

JUTE—July/Aug C and F Dundee BTC $380, BWC $380, BTD $340, BWD $340; C and F Antwerp, BTC $380, BWC $380, BWD $330, BTD $330.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar lacking support

The dollar continued to lose ground in London yesterday, following a sharp decline in New York on Monday. Technical considerations had pushed the dollar higher but a lack of follow through demand prompted a sell off as economic fundamentals continued to point towards a sluggish economy and a lower dollar.

Hopes that the US unit would be helped by a cut in interest rates elsewhere were dealt a blow as West Germany came out with another worrying rise in money supply. A 0.5 per cent fall in Japanese GNP in the first quarter would normally have put downward pressure on Japanese interest rates and so help the dollar but recent comments by Japanese officials have ruled out such a move. At the same time there was some hesitancy to push the dollar weaker for fear of Japanese central bank intervention in order to maintain stability ahead of next month's elections in Japan.

The dollar closed at DM 2.2220 down from DM 2.2485 and Y166.80 compared with Y167.95. Against the Swiss franc it eased to SFr 1.8220 from SFr 1.8475 and FFr 7.0825 compared with FFr 7.1675. On Bank of England figures, the dollar's exchange rate index fell from 116.9 to 115.5.

£ IN NEW YORK

June 24	Latest	Prev. close
£ Spot	$1.5165-1.5175	$1.5170-1.5180
1 month	0.37-0.36pm	0.37-0.36pm
3 months	1.05-1.00pm	1.05-1.00pm
12 months	3.40-3.35pm	3.43-3.48pm

Forward premiums and discounts apply to the US dollar

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3700. May average 1.5202. Exchange rate index 75.8 after opening at 75.9 and compared with 75.7 on Monday. The six months ago figure was 77.9.

Sterling was firmer against the dollar but was hardly changed against European currencies. Today's meeting of Opec ministers may have provided some nervousness but for most of the day sterling remained on the sidelines. Against the dollar it closed at $1.5170 from $1.50 but eased to DM 3.3700 from DM 3.3725 and SFr 2.7650 compared with SFr 2.7725. Against the French franc it slipped to FFr 10.7445 from FFr 10.75 but rose against the yen to Y252.75 from Y251.75.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1640. May average 2.2295. Exchange rate index 135.8 against 130.6 six months ago.

The D-Mark was firmer against the dollar in Frankfurt yesterday. The dollar fell after a sharp downturn in New York trading while news of a rise in West German money supply effectively removed hopes of an early reduction in West German interest rates. The dollar closed at DM 2.2260, down from DM 2.2870 on Monday and an earlier fixing of DM 2.2280. News of a rise in US durable goods orders had little effect since the non-defence component showed a fall of 2 per cent.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 161.65. May average 167.01. Exchange rate index 206.4 against 177.2 six months ago.

The yen was slightly weaker against the dollar in Tokyo yesterday ahead of the release of GNP figures. These came out after the close of business in Tokyo so that a 0.5 per cent fall in the first quarter was not fully reflected in closing levels. Although weaker, the yen was still much firmer from Monday's close after the dollar's sell off in earlier New York trading. The dollar rose to Y166.90, up from Y165.95 in New York, but down from Y169.20 in Tokyo on Monday. Trading was confined to a narrow range with dealers aware that the Japanese central bank would probably intervene in order to maintain stability ahead of next month's general election.

POUND SPOT—FORWARD AGAINST POUND

June 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5085-1.5180	1.5165-1.5175	0.40-0.37c pm	3.05	1.04-1.00pm	2.69
Canada	2.0895-2.1055	2.0940-2.0970	0.29-0.20c pm	1.63	0.60-0.49pm	1.01
Nethlnd.	3.77½-3.80⅛	3.79-3.80	1½-1¼c pm	4.35	3⅞-3⅜pm	3.62
Belgium	68.85-69.15	69.00-69.10	20-16c pm	3.04	50-41c pm	2.64
Denmark	12.45¼-12.52½	12.49-12.50	2¼-1¾ore pm	1.53	5½-3⅝pm	1.34
Ireland	1.1160-1.1180	1.1170-1.1180	0.10-0.02p pm	0.65	0.20-0.05pm	0.45
W. Ger.	3.35¼-3.37¾	3.36¼-3.37¼	1¾-1¼pf pm	5.37	5¼-4⅝pm	5.12
Portugal	227.48-229.75	227.49-229.14	90-260c dis	−8.95	255-765dis	−8.86
Spain	214.15-215.76	215.15-216.47	55-170c dis	−7.40	225-377dis	−5.62
Italy	2295¼-2317½	2310½-2311½	7-11 lire dis	−2.34	5-16dis	−2.16
Norway	11.45¼-11.50¼	11.49-11.50	3¾-4¾ore dis	−3.85	11¾-12¾dis	−4.28
France	10.69½-10.76¼	10.74-10.75	[illegible]	[illegible]	[illegible]	2.40
Sweden	10.85-10.90¾	[illegible]	[illegible]	[illegible]	[illegible]	−0.61
Japan	251¾-253¾	252¼-253¼	[illegible]	[illegible]	[illegible]	5.04
Austria	23.56-23.76	23.64-23.67	11-9gro pm	5.27	28½-25pm	4.52
Switz.	2.76½-2.77¾	2.76-2.77	1⅛-1⅞c pm	5.43	4⅝-3⅜pm	4.07

Belgian rate is for convertible francs. Financial franc 69.60-69.70. Six-month forward dollar 1.98-1.93c pm, 12-month 3.43-3.33c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

June 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5085-1.5180	1.5165-1.5175	0.40-0.37c pm	3.05	1.04-1.00pm	2.69
Ireland†	1.3555-1.3665	1.3605-1.3615	0.40-0.15c pm	2.43	0.95-0.55pm	2.13
Canada	1.3845-1.3867	1.3858-1.3860	0.15-0.18c dis	−1.43	0.48-0.61dis	−1.69
Nethlnd.	2.4970-2.5125	2.5015-2.5025	0.17-0.14c pm	0.74	0.59-0.54pm	0.90
Belgium	45.22-45.66	45.45-45.55	1pm-1c dis	—	1pm-3dis	−0.09
Denmark	8.22½-8.29½	8.23¾-8.24¼	0.50-1.10ore dis	−1.16	2.30-3.30dis	−1.36
W. Ger.	2.2165-2.2350	2.2215-2.2225	0.50-0.47pf pm	2.61	1.34-1.29pm	2.38
Portugal	150½-151	150½-151	100-200c dis	−11.88	275-600dis	−11.55
Spain	141.60-142.90	142.15-142.25	100-250c dis	−12.64	250-450dis	−9.83
Italy	1521½-1533	1522½-1523½	5½-8 lire dis	−5.30	17-20½dis	−4.91
Norway	7.56-7.60½	7.57½-7.58	4.20-4.60ore dis	−6.96	13.15-13.55d	−7.04
France	7.07-7.12	7.08-7.08½	0.03-0.18c dis	−0.18	0.55-0.70dis	−0.35
Sweden	7.16½-7.21	7.17½-7.18	2.20-2.40ore dis	−3.84	5.65-6.05dis	−3.25
Japan	166.05-167.15	166.55-166.65	0.37-0.32y pm	2.48	1.00-0.95pm	2.34
Austria	15.58½-15.70½	15.61½-15.61¾	3½-2½gro pm	2.30	8-6pm	1.79
Switz.	1.8190-1.8346	1.8215-1.8225	0.22-0.17c pm	1.28	0.72-0.62pm	1.46

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 45.85-45.95.

EXCHANGE CROSS RATES

Jun. 24	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.517	3.370	252.8	10.74	2.765	3.795	2311.	2.096	69.05
$	0.659	1.	2.220	166.6	7.083	1.822	2.502	1523.	1.382	45.50
DM	0.297	0.450	1.	75.00	3.188	0.820	1.126	685.8	0.622	20.49
YEN	3.956	6.002	13.35	1000.	42.51	10.94	15.01	9143.	8.293	273.2
F Fr.	0.931	1.412	3.136	235.2	10.	2.573	3.532	2151.	1.951	64.27
S Fr.	0.362	0.549	1.219	91.41	3.886	1.	1.373	835.8	0.758	24.97
H Fl.	0.264	0.400	0.888	66.60	2.831	0.729	1.	609.0	0.552	18.19
Lira	0.433	0.656	1.458	109.4	4.649	1.196	1.642	1000.	0.907	29.88
C $	0.477	0.724	1.608	120.6	5.126	1.319	1.811	1103.	1.	32.94
B Fr.	1.448	2.197	4.881	366.0	15.56	4.004	5.496	3347.	3.038	100

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

June 24	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	9¾-10	10-10⅛	9{11/16}-10{1/16}	9¾-9⅞	9⅝-9¾	9{9/16}-9{11/16}
U.S. Dollar	7-7⅛	7-7⅛	6{15/16}-7{1/16}	6⅞-7	6⅞-7	7-7⅛
Can Dollar	8-8⅛	8-8⅛	8{1/16}-8{3/16}	8{7/16}-8{9/16}	8{9/16}-8{11/16}	8¾-9
D Guilder	6⅝-6⅝	6⅝-5⅝	5⅛-6¼	5{15/16}-6{1/16}	5{15/16}-5{15/16}	6{1/16}-6{3/16}
Sw. Franc	1⅛-1⅝	1⅝-1⅞	5{1/16}-6{3/16}	5{1/16}-6{1/16}	5{15/16}-6{1/16}	5-5⅛
Deutschmrk	4⅝-4½	4½-4⅝	4½-4⅝	4½-4⅝	4{7/16}-4{11/16}	4⅝-4¾
Fr. Franc	7-7⅛	7-7⅛	7⅛-7¼	7¼-7⅜	7¼-7⅜	7⅜-7½
Italian Lire	10½-12	11-12½	11⅛-12¼	11⅝-11⅞	11⅛-11⅝	11¼-11⅝
B.Fr.(Fin)	7-7¼	7-7¼	7⅛-7⅜	7⅛-7⅜	7¼-7⅛	7¼-7½
B.Fr.(Con)	6¾-7¼	6⅞-7⅜	7-7⅛	7-7½	7-7½	7-7½
Yen	4{3/16}-4{5/16}	5-5⅛	4¾-4⅞	4{11/16}-4¾	4⅝-4{11/16}	4⅝-4{11/16}
D. Krone	8¾-9¼	8¾-9¼	8½-9	8-9	8¾-9¼	9-9½
Asian $ (Sng)	6{15/16}-7{1/16}	6{15/16}-7{1/16}	6{15/16}-7{1/16}	6⅞-7	6⅞-7	7{1/16}-7{3/16}

Long-term Eurodollars: two years 7¼-7⅝ per cent; three years 7⅞-8⅛ per cent; four years 8¼-8⅝ per cent; five years 8⅜-8⅝ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

CURRENCY MOVEMENTS

June 24	Bank of England Index	Morgan Guaranty Change %
Sterling	75.8	−15.3
U.S. dollar	115.5	+6.0
Canadian dollar	76.7	−18.2
Austrian schilling	126.2	+7.0
Belgian franc	95.2	−7.4
Danish Kroner	88.8	−1.1
Deutsche mark	135.0	+14.7
Swiss franc	159.9	+17.7
Guilder	125.0	+9.2
French franc	69.1	−13.6
Lira	46.2	−17.9
Yen	206.4	+51.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

CURRENCY RATES

June 24	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.772621	N.A.
US $	6½	1.16745	"
Canadian $	8.79	*	"
Austria Sch	4	18.2936	"
Belgian Fr	8	53.1764	"
Danish Kr	7	9.65173	"
D'mark	3½	2.60208	"
Guilder	4½	2.93200	"
French Fr	9½	8.29751	"
Lira	12	1787.65(1)	"
Yen	3½	194.494	"
Norway Kr	8	8.86846	"
Span'h Pta	—	166.344	"
Swedish Kr	8	8.39849	"
Swiss Fr	4	2.13640	"
Greek Drch	20½	N.A.	"
Irish Punt	—	N.A.	"

* C$/SDR rate for June 23: 1.60446

(1) SDR Rate for June 23

OTHER CURRENCIES

June 24	£	$
Arg'tina	1.3325-1.3350	0.8800-0.8810
Aus'alia	2.2315-2.2350	1.4665-1.4680
Brazil	20.85-20.96	13.77-13.84
Finland	7.8050-7.8185	5.1625-5.1645
Greece	209.30-215.96	139.90-142.81
H'kong	11.7970-11.8088	7.8085-7.8105
Iran	120.10*	80.00*
Kuwait	0.4440-0.4460	0.29350-0.29380
Lux'burg	69.00-69.10	45.45-45.55
Malaysia	3.9600-3.9675	2.6185-2.6285
N'Z'land	2.8185-2.8260	1.8630-1.8680
Saudi Ar.	5.6665-5.6750	3.7500-3.7515
Sin'pore	3.3550-3.3600	2.2200-2.2220
S Af. (Cm)	3.8780-3.9110	2.5710-2.5775
S.Af.(Fn)	6.4430-6.7280	4.2555-4.4445
U.A.E.	5.5475-5.5660	3.6720-3.6735

* Selling rate.

Correction for June 18, Finland $: 5.1860-5.1930.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 24	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.6761	46.9282	+0.68	+0.61	±1.5288
Danish Krone	7.91896	7.97317	+0.68	+0.71	±1.6408
German D-mark	2.13834	2.14967	+0.54	+0.57	±1.1202
French Franc	6.96280	6.85607	−1.53	−1.50	±1.3701
Dutch Guilder	2.40935	2.42113	+0.49	+0.52	±1.5081
Irish Punt	0.712956	0.709203	−0.53	−0.50	±1.6669
Italian Lira	1496.21	1474.76	−1.43	−1.43	±4.0788

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Confused trading

Trading was rather confused on the London International Financial Futures Exchange yesterday, as dealers attempted to interpret the implications of various factors. Interest rate contracts finished firmer on the day, but met with some heavy profit-taking, leaving prices well below the day's highs. Dealers in London suspected the fall of 0.5 per cent in first quarter Japanese gross national product was widely leaked, but it still produced a positive impact on dollar denominated contracts on Liffe. But after a bout of buying the market settled down to ponder other factors. The rise of 0.4 per cent in May US durable goods orders was around the middle of a very wide range of forecasts, and had little impact, but renewed buying developed on the revision of the April figure to a fall of 0.9 per cent, from the previous estimate of 0.2 per cent.

Soon after the release of the durable goods data the market became very confused by a comment on Telerate attributed to Mr Paul Volcker, chairman of the Federal Reserve Board, on the subject of third world debt. The future for world interest rates also seemed confusing, after the fall in Japanese GNP, and the contrasting sharp rise of DM 2.3bn in May West German M3 money supply. Sterling denominated contracts were supported by the improvement of sterling against the dollar, but gains were limited by doubts that UK bank base rates will fall, unless other countries take the lead in cutting rates.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
116	6.22	7.20	—	—	0.26	1.44	—	—
118	4.47	5.63	—	—	0.51	2.23	—	—
120	3.22	4.51	—	—	1.26	3.11	—	—
122	2.15	3.50	—	—	2.19	4.10	—	—
124	1.26	2.80	—	—	3.30	5.19	—	—
126	0.82	2.14	—	—	4.56	6.38	—	—
128	0.29	1.42	—	—	6.33	8.02	—	—
130	0.15	1.13	—	—	8.19	9.37	—	—

Estimated volume total: Calls 856, Puts 242
Previous day's open interest: Calls 9,064, Puts 3,590

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
88	10.12	10.22	—	—	0.16	1.10	—	—
90	8.25	8.53	—	—	0.28	1.41	—	—
92	6.48	7.28	—	—	0.52	2.16	—	—
94	5.17	6.12	—	—	1.21	2.64	—	—
96	3.63	5.06	—	—	2.03	3.57	—	—
98	2.58	4.07	—	—	2.62	4.58	—	—
100	2.03	3.18	—	—	4.07	6.06	—	—
102	1.25	2.37	—	—	5.29	7.25	—	—

Estimated volume total: Calls 604, Puts 105
Previous day's open interest: Calls 1,391, Puts 436

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike price	Calls—Last July	Aug	Sept	Dec	Puts—Last July	Aug	Sept	Dec
1.30	—	—	21.17	21.17	—	—	0.05	0.43
1.35	16.17	16.17	16.17	16.17	0.00	0.08	0.22	1.02
1.40	11.17	11.17	11.17	11.37	0.03	0.37	0.73	2.06
1.45	6.27	6.77	7.09	9.02	0.32	1.23	1.87	3.70
1.50	2.60	3.62	4.12	5.36	1.65	3.08	3.90	6.04
1.55	0.89	1.62	2.13	3.39	4.74	6.08	6.91	9.07
1.60	0.11	0.60	0.97	2.02	9.16	10.06	10.76	12.70

Estimated volume total: Calls 222, Puts 124
Previous day's open interest: Calls 3,133, Puts 3,244

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last July	Aug	Sept	Dec	Puts—Last July	Aug	Sept	Dec
1.35	—	—	19.90	19.90	—	—	0.50	1.50
1.40	12.40	0.00	10.00	10.20	0.70	0.00	1.40	2.70
1.45	6.80	7.10	7.70	8.40	0.25	1.15	1.80	3.60
1.50	2.50	3.60	4.30	5.60	1.30	2.90	3.75	5.75
1.55	0.60	1.60	2.30	3.55	4.40	5.90	6.70	8.70
1.60	0.20	0.65	1.25	2.20	9.00	9.80	10.50	12.30
1.65	0.15	0.25	0.70	1.25	14.30	14.30	14.50	16.30

Previous day's open interest: Calls 4,332, Puts 1,622
Volume: 16,707

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last July	Aug	Sept	Dec	Puts—Last July	Aug	Sept	Dec
1.30	—	—	21.40	21.40	—	—	0.10	0.45
1.35	16.40	—	16.40	16.40	—	—	0.25	1.00
1.40	11.40	—	11.55	12.00	—	—	0.65	1.95
1.45	6.35	6.70	7.40	8.30	0.15	1.06	1.70	3.50
1.50	2.40	3.50	4.30	5.45	1.25	2.60	3.60	5.70
1.55	0.45	1.65	2.10	3.45	4.30	5.50	6.50	8.15
1.60	0.05	0.80	1.05	2.05	8.55	9.50	10.10	12.35

Previous day's open interest: Calls 21,204, Puts 46,131
Previous day's volume: Calls 1,016, Puts 2,724

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
92.00	1.33	1.27	—	—	0.01	0.07	—	—
92.25	1.08	1.05	0.87	—	0.01	0.10	0.24	—
92.50	0.85	0.86	0.79	—	0.03	0.16	0.31	—
92.75	0.63	0.67	0.63	—	0.06	0.22	0.40	—
93.00	0.44	0.51	0.49	—	0.12	0.31	0.51	—
93.25	0.28	0.37	0.36	—	0.21	0.42	0.63	—
93.50	0.16	0.25	0.26	—	0.34	0.55	0.78	—

Previous day's open interest: Calls 403, Puts 902
Volume: —

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
June	121-23	—	—	121-06
Sept	121-30	122-14	121-22	121-11
Dec	121-00	121-28	121-17	121-00
March	121-14	—	—	120-26

Est volume 11,381 5,041
Previous day's open int 20,478 (20,146)
Basis quote (clean cash price of 13% Treasury 2004/08 less equivalent price of near futures contract) −4 to 4 (32nds).

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
June	102-06	—	—	101-60
Sept	102-00	102-04	102-00	101-54

Est volume 31 (37)
Previous day's open int 1,035 (1,076)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
Sept	90.78	90.83	90.72	90.69
Dec	90.93	90.97	90.86	90.83
March	90.84	90.89	90.77	90.75
June	90.68	90.68	90.69	90.60
Sept	90.54	—	—	90.46

Est volume 3,079 1,204
Previous day's open int 14,780 (14,781)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
June	163.30	163.60	162.10	163.00
Sept	166.00	166.25	164.60	165.40
Dec	168.50	—	—	167.90

Est volume 363 (736)
Previous day's open int 2,881 (2,554)

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	97-30	98-14	97-21	96-25
Dec	97-06	—	—	96-01

Est volume 8,509 (3,877)
Previous day's open int 5,445 (5,307)

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Sept	93.32	93.35	93.28	93.23
Dec	93.20	93.23	93.15	93.10
March	92.28	93.03	92.82	92.88
June	92.68	92.68	92.67	92.58
Sept	92.38	—	—	92.28
Dec	92.09	—	—	90.99

Est volume 5,743 (2,004)
Previous day's open int 17,973 (18,004)

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	97-27	98-15	97-25	97-29
Dec	97-03	97-22	97-00	97-05
March	—	96-28	96-10	96-13
June	—	96-04	95-21	95-22
Sept	94-29	95-13	94-28	95-01
Dec	—	94-19	94-12	94-14
March	93-25	94-03	93-25	93-29
June	—	—	—	93-14
Sept	—	—	—	—
Dec	—	—	—	92-20
March	—	—	—	92-10

US TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	94.24	94.29	94.22	94.21
Dec	94.28	94.31	94.23	94.21
March	94.10	94.14	94.09	94.05
June	93.84	93.88	93.83	93.79
Sept	93.58	93.62	93.57	93.53
Dec	93.33	93.37	93.32	93.28
March	93.09	93.11	93.08	93.04

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	—	—	—	93.35
Sept	—	—	—	93.80
Dec	—	—	—	93.44
March	—	—	—	93.14

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	93.31	93.36	93.30	93.28
Dec	—	93.24	93.17	93.14
March	—	93.01	92.96	92.81
June	92.67	92.71	92.64	92.60
Sept	92.35	92.39	92.34	92.29
Dec	92.06	92.09	92.03	92.00
March	91.78	91.81	91.76	91.72
June	91.16	91.52	91.50	91.49

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5170	1.5132	1.5068	1.4975	1.4832

IMM—STERLING $s per £

	Latest	High	Low	Prev
Sept	1.5075	1.5090	1.5015	1.4785
Dec	1.4885	1.4985	1.4950	1.4690
March	1.4870	1.4895	1.4865	1.4600

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.5022	1.5090	1.5015	1.4835
Dec	1.4932	—	—	1.4745
March	1.4867	—	—	1.4685

Est volume 194 (169)
Previous day's open int 1001 (909)

STERLING INDEX

	June 24	Previous
8.30 am	75.9	75.7
9.00 am	75.9	75.7
10.00 am	75.9	75.6
11.00 am	75.9	75.6
Noon	75.8	75.6
1.00 pm	75.8	75.6
2.00 pm	75.9	75.6
3.00 pm	75.9	75.5
4.00 pm	75.8	75.7

MONEY MARKETS

A better tone in London

Interest rates were slightly easier in quiet trading on the London money market yesterday. Three-month interbank declined to 9⅞-9¾ per cent from 9{15/16}-9{13/16} per cent, influenced mainly by the recovery of sterling against the dollar on the foreign exchanges. With the pound above $1.51 the money market had a more optimistic tone, but dealers commented that the prospects for lower UK bank base rates did not appear encouraging.

The Bank of England forecast a flat money market shortage of £600m, and provided total help on the day of £403m. Initially the authorities forecast a shortage of £500m, and changed this to £450m at noon, before making a final adjustment in the afternoon.

Before lunch the Bank of England bought £78m bills outright, by way of £5m bank bills in band 1 at 9⅞ per cent; £59m bank bills in band 2 at 9⅞ per cent; £13m bank bills in band 3 at 9⅞ per cent; and £1m bank bills in band 4 at 9⅞ per cent.

In the afternoon another £275m bills were purchased outright, through £1m bank bills in band 1 at 9⅞ per cent; £217m bank bills in band 2 at 9⅞ per cent; £8m bank bills in band 3 at 9⅞ per cent; £40m bank bills

UK clearing bank base lending rate 10 per cent since May 23

in band 4 at 9⅞ per cent; and £9m local authority bills in band 4 at 9⅞ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £321m, with Exchequer transactions absorbing £200m, and bank balances below target another £10m. These outweighed a fall in the note circulation adding £45m to liquidity.

In Frankfurt conditions remained comfortable in the money market, and this month's large tax payment by bank customers has drained less liquidity from the banking system than expected. Banks are unlikely to have any problems meeting minimum reserve requirements for June, and the money market is expected to remain quiet until the end of the month. Conditions were liquid enough for the German Bundesbank to not fully replace the money flowing out of the market today, as a DM 5.9bn 34-day securities repurchase agreement expires. At yesterday's tender for a 28-day agreement the central bank accepted bids of DM 5bn, at a fixed rate of 4.35 per cent. Bids totalled DM 14.2bn.

NEW YORK RATES
(Lunchtime)

Prime rate	8½
Broker loan rate	[illegible]
Fed funds	[illegible]
Fed funds at intervention	[illegible]
Treasury Bills and Bonds	
One month	5.83
Two month	6.11
Three month	6.24
Six month	6.36
One year	6.58
Two year	7.00
Three year	7.20
Four year	7.41
Five year	7.50
Seven year	7.62
10 year	7.50
30 year	7.80

FT LONDON INTERBANK FIXING

(11.00 a.m. June 24)			
Three months US dollars		Six months US dollars	
bid 6⅞	offer 7	bid 6⅞	offer 7

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

June 24	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	7-12	10-10⅛	9{15/16}-10{1/16}	9⅞-9¾	9⅝-9¾	9{9/16}-9{11/16}
Sterling CDs	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deposits	9¾-9⅞	9¾-9⅞	9⅞-10	[illegible]	[illegible]	[illegible]
Local Authority Bonds	—	—	10	10	10	9⅞
Discount Mkt Depos	7-10	9⅞-10	—	—	—	—
Company Deposits	9-10	10-10⅛	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Depos	—	—	[illegible]	[illegible]	[illegible]	—
Treasury Bills (Buy)	—	—	[illegible]	[illegible]	—	—
Bank Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	—
Fine Trade Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	—
Dollar CDs	—	—	6.80-6.90	6.8-6.95	6.95-7.00	7.10-7.15
SDR Linked Depos	—	—	[illegible]	[illegible]	[illegible]	[illegible]
ECU Depos	—	—	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 9⅝ per cent; three months 9⅝ per cent. Bank Bills (sell): one-month 9⅝ per cent; three months 9{11/16}-9⅝ per cent. Treasury Bills: Average tender rate of discount 9.5660 per cent. ECGD Fixed Finance Scheme IV reference date May 7 to June 3 (inclusive) 10.176 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ per cent from June 1 1986. Bank Deposit Rates for sums at seven days' notice 4.25-4.375 per cent. Certificates of Tax Deposit (Series 5): Deposit £100,000 and over held under one month 9½ per cent; one-three months 9¾ per cent; three-six months 9¾ per cent; six-nine months 9¾ per cent; nine-12 months 9¾ per cent. Under £100,000 9¾ per cent from June 20. Deposits held under Series 5 9¾ per cent. Deposits withdrawn for cash 9⅛ per cent.

MONEY RATES

June 24	Over-night	One Month	Two Months	Three Months	Six Months	Lombard Inter'vtn
Frankfurt	4.20-4.35	4.40-4.55	4.45-4.60	4.45-4.60	4.50-4.65	5.5
Paris	7¼	7⅛-7¼	7⅛-7¼	7¼-7⅜	7¼-7⅜	7
Zurich	7-7⅛	5⅝-5	—	5⅛-5⅜	—	—
Amsterdam	6¼	6-6⅛	—	6-6¼	—	—
Tokyo	4.48500	4.65625	—	4.71875	—	—
Milan	12½-¾	12⅛-12¼	—	12-12¼	—	—
Brussels	5.50	7⅛-7¼	—	7⅛-7¼	—	—
Dublin	9¼-9½	9⅝-9¾	9¾-9⅞	9⅝-9¾	9⅝-9¾	—

Legal Notices

IN THE MATTER OF M. KAUFFMANN (WHOLESALE CATERING EQUIPMENT) LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 30th day of July, 1986, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned Keith David Goodman, FCA, of 30 Eastbourne Terrace, London W2 6LF, the Liquidator of the said Company, and if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 18th day of June, 1986.
K. D. GOODMAN, Liquidator.

Clubs

[illegible]

Company Notices

IMATRAN VOIMA OSAKEYHTIO 8½%

25,000,000 European Units of Account 1977/1987 Guaranteed Bonds

Pursuant to the provisions of the Purchase Fund, notice is hereby given to Bondholders that a principal amount of UA 65,000 has been purchased for the Purchase Fund during the twelve-month period ending June 15, 1986. Amount outstanding: UA 18,610,000

IMATRAN VOIMA OSAKEYHTIO
June 25, 1986

INTERNATIONAL DEPOSITARY RECEIPTS REPRESENTING SHARES PAR VALUE $2.50 COMMON STOCK
J. P. MORGAN AND COMPANY INCORPORATED

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102	100½	Exch 14pc 1986	101		13.80	9.44
98	94⅞	Exch 2½pc 1986	98¼	−	2.54	6.87
102	100¼	Exch. 13½pc 1987	102 xd		12.98	9.37
100⅞	97	Treas 10¼pcCv '87	100		10.21	9.45
97	92	Exch 2½pc 1987	97¼	−	2.57	6.75
101¼	97½	Exch. 10½pc 1987	100	+	10.42	9.32
98	93¾	Funding 6½pc '85-87‡‡	98		6.62	8.72
101¼	96	Treas. 10pc 1987	100⅝	+	9.94	9.29
97	90⅞	Treas 3pc 1987	96½	−	3.11	6.63
104½	99½	Treas. 12pc 1987	103	+	11.60	9.18
99	92	Treas 7¾pc 1985-88‡‡	98 xd	+	7.88	8.83
104	96¼	Exch 10½pc '88	102½	+	10.24	9.00
102	95¼	Treas 9¾pc Cv '88	101	+	9.63	9.07
94	86	Transport 3pc '78-88	92⅞ xd	−	3.23	6.85
102	93	Treas. 9½pc '88	100	+	9.45	9.20
107	98	Treas 11½pc 1989	105	−	10.91	9.38
103	93	Treas 9½pc Cnv. '89	101¼		9.38	8.97
92	82	Treas 3pc 1989	90½	−	3.31	6.66
105	95	Treas 10½pc 1989	103		10.16	9.17
104	94	Exch 10pc 1989	102	+	9.81	9.24
107	97	Exch 11pc 1989	105	+	10.48	9.16
93	84½	Treas 5pc 1986-89	92½	+	5.41	7.60
110	98	Exch 10¼pcCv '89	105	+	9.69	8.23
114	103	Treas 13pc 1990‡‡	111⅝ xd	+	11.65	9.10
108	97	Exch 11pc 1990‡‡	105	+	10.41	9.11
113	101	Exch. 12½pc 1990	110		11.31	9.08
89	79	Treas. 3pc 1990	88	−	3.39	6.40
100	89	Treas 8¼pc 1987-90‡‡	98	−	8.38	8.72
106	93	Treas. 10pcCv 1990	103¼		9.69	9.06
86	76½	Exch 2½pc 1990	85⅞		2.91	6.21
112	99	Treas 11¾pc 1991	109¾ xd	+	10.70	9.07
[illegible]	[illegible]	Funding 5¾pc '87-91‡‡	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
317	210	Morgan Crucible	303	−2	8.5	1.7	4.0	19.0
23½	15½	Morris (W) F A 20c	21		—	—	—	—
139	96	Moss (Robt) 10p	126		413.3	2.7	3.7	13.6
136	65	Myson Grp 10p	126	+1	2.63	2.6	2.9	16.3
365	259	NMW Computers	305	−10	6.0	3.0	2.8	17.5
40	27	Nash Inds	40	+3	10.5	—	1.8	—
27½	15½	Neil & Spencer 10p	21		φ—	—	—	—
38	29	Newman Inds 10p	37		0.8	1.2	3.1	35.6
65	47	Nolton	50	−1	10.95	7.0	2.7	7.1
136	96	Norank Systems 5p	136		u3.0	φ	3.1	φ
272	187	Norcros	270	−1	9.3	φ	5.0	φ
114	49	Nu-Swift 5p	106		3.5	2.1	4.6	14.5
£303	£228	OCE 9pc Cnv 1987-92	£303		09%	—	13.5	—
118	80	Oakwood Grp	110		5.0	1.3	6.4	15.3
250	203	Office & Elect	238		8.5	2.9	5.0	9.7
102	70	Olsacre 20p	87		14.0	2.6	6.5	7.7
36	24	Optometrics $0.01	24		—	—	6.5	—
765	500	Oriflame £1	755		24.5	2.1	4.6	14.7
10	6	Ovenstone 12½c	6		g0.23c	1.9	14.1	3.7
		For Ozalid 9pc Cnv see OCE 9pc Cnv						
142	85	PCT Grp 10p	132		3.2	1.2	5.0	32.5
£20½	950	PLM 'B' Sk 25	£14¼	−⅛	023.2%	0.3	4.7	—
184	114	PSM Intl	178		5.5	2.1	4.4	13.6
255	167	Pacer Systems $0.01	200		03.8c	3.4	1.3	22.3
78	56	Pacific Sales 10p	64		3.0	2.1	6.6	8.4
342	225	Park Place 10p	330		φ6.25	1.9	2.7	27.7
445	246	Parker Knoll 'A'	427	−18	9.5	2.9	3.1	15.5
525	208	Parkfield Group 5p	475		2.4	2.4	0.7	79.4
53	30	Pawson Intl	38		—	—	—	10.1
£130	£92	Do 11pc Cnv '94-02	£103	+1	011%	—	11.1	—
527	393	Pearson	512	−1	10.0	2.8	2.8	17.1
26	12	Peek Holdings 7p	23	−1	—	—	—	—
130	88	Peerless	123		6.3	—	7.2	—
890	283	Pentland 10p	855	−20	1.5	22.4	0.2	24.2
£14	775	Photo-Me	£11½	+¼	15.0	8.3	0.6	—
475	315	Pilkington Br £1	413xd	−5	13.5	φ	4.6	φ
[illegible]								

INSURANCES

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

LEISURE

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

LEISURE—Continued

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
115	58	Leisuretime Int 10p	100		12.3	φ	3.3	φ
117	100	Lowndes	110	+5	b2.63	3.0	3.4	13.6
220	145	Media Tech Int 20p	163	−2	L2.58	5.4	2.2	13.2
175	140	Medminster 10p	140		15.35	2.7	5.4	9.5
220	130	Miss World 10p	205	−5	5.2	3.3	3.6	11.9
90	62	Nationwide Leisure	85		0.75	φ	6.2	φ
17	10½	Nimslo Int 20c	13		—	—	—	—
34½	23	Owners Abroad 5p	31	−1	1.5	φ	6.8	φ
90	46	Photax (Lon)	70	−3	—	—	—	φ
34	28½	P'dilly Radio NV 5p	29		2.0	1.2	10.0	11.9
68½	25½	Pineapple Dnc St 10p	60a	−1½	—	—	—	—
391	280	Pleasurama 5p	295		7.5	3.2	3.6	12.2
178	136	Do. 7pcCvCmRedPf	140		7%	—	7.0	—
		For Prvt Entertainment see Hawk						
43	18	Radio City 'A' NV	30		—	—	—	—
48	33	Radio Clyde N/V	42		3.25	0.9	10.9	13.6
385	322	Really Useful Grp 5p	385	+7	b11.25	2.2	4.1	15.8
64	44	Riley Leisure 10p	48		—	—	—	—
230	165	Saga Hols. 20p	168	−2	4.6	2.6	3.9	14.2
355	255	Samuelson Grp 20p	265	−10	12.4	6.0	1.3	20.8
123	73	Sangers Photo 10p	104xd		φ2.2	φ	3.0	φ
178	142	Scantro 50p	145xd	−2	4.0	3.5	3.9	10.4
338	175	Scott. TV 10p	338a		10.5	3.0	4.4	10.7
294	114	SeaCo Inc $0.125	157	−28	—	—	—	—
26	7	Select TV 10p	17	+1½	—	—	—	—
37	20	Spectrum 5p	21	+1	tL2.0	4.8	‡	2.2
43	31	TSW 5p	42	−1	1.1	7.24	5.7	10.1
250	150	TVS N.Vtg 10p	248		8.0	2.5	4.5	12.6
188	118	Television Svcs 50p	138	−7	2.0	1.6	2.0	44.3
72	50	Tottenham Hotspur	70		14.0	—	‡	—
96	66	Trihoe 10p	80xd	−5	L1.1	3.3	1.9	16.9
260	140	Tyne Tees TV 'A' £1	255		110.5	φ	5.8	φ
135	104	Ulster TV N-V 'A'	134		15.25	2.6	5.5	9.9
100	63	Viewplan 5p	85	+3	u1.26	—	2.1	16.6
198	118	WSL 5p	188		—	—	—	—
28	17½	Webb (Jos) 5p	24	+1	d0.5	0.7	3.0	64.5
[illegible]								

MOTORS, AIRCRAFT TRADES

Motors and Cycles

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

Commercial Vehicles

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

Components

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

Garages and Distributors

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

NEWSPAPERS, PUBLISHERS

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

PAPER, PRINTING, ADVERTISING

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

PROPERTY

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

PROPERTY—Continued

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
42	35	[illegible]						
222	130	[illegible]						
330	232	[illegible]						
640	482	[illegible]						
[illegible]								

SHIPPING

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

SHOES AND LEATHER

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

SOUTH AFRICANS

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

TEXTILES

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

TOBACCOS

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

TRUSTS, FINANCE, LAND

Investment Trusts

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
[illegible]							

INVESTMENT TRUSTS—Cont.

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
[illegible]							

Finance, Land, etc

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

FINANCE, LAND—Cont.

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

OIL AND GAS

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

OVERSEAS TRADERS

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								

PLANTATIONS

Rubbers, Palm Oil

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
[illegible]							

Teas

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
[illegible]							

MINES

Central Rand

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
[illegible]							

Eastern Rand

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
[illegible]							

Far West Rand

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
[illegible]							

MINES—Continued

O.F.S.

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
[illegible]							

Diamond and Platinum

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
[illegible]							

Central African

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
[illegible]							

Finance

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
[illegible]							

Australians

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
[illegible]							

Tins

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
[illegible]							

Miscellaneous

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
[illegible]							

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

"Recent Issues" and "Rights" Page 31
(International Edition Page 27)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £675 per annum for each security.

هكذا اصلا الاصل

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
June 16	June 26	June 27	July 7
June 30	July 10	July 11	July 21
July 14	July 24	July 25	Aug 4

* "New-time" dealings may take place from 9.30 am two business days earlier.

Gilts revive and equities stabilise after Monday's technical shakeout

A trio of more favourable pointers directed interest towards Government securities and away from equities in London yesterday. Official evidence of a slowdown in the economy, a strong sterling exchange rate and continued firmness overnight in US bonds all contributed to the Gilt market's revival after a recent lean spell.

Volume increased with buying emanating from domestic and overseas sources, the latter following a weaker dollar. The UK authorities were called upon for supplies and demand was such that two of the four £150m tranches of stock issued only last Friday were exhausted. Treasury 9¾ per cent 2002 ran out at 103 and Exchequer 9½ per cent 1998 at 102, the latter after having been sold earlier at 101⅞. Of the two remaining taplets, Treasury 9 per cent 1994 was established at 99¼ while Treasury 10 per cent 1990 was activated initially at 103$\frac{5}{16}$ and later at 103⅜. Business was a mixture of profesional bear-covering and genuine investment support.

The strong tone persisted throughout much of the afternoon but just before the official 3.30 pm close the gains in longer maturities were pared from ⅛ to around ⅛. Interest during the after-hours' dealings was negligible and prices maintained their 3.30 pm levels. Interest rate considerations held back the shorts which showed small movements either way, but index-linked retained their firmer trend.

Equities meanwhile regained composure after Monday's technical shake-out. The market was a little cautious at the start but the FT indices recovered small losses to close higher on balance. The FT Ordinary share index ended 1.2 better at 1339.4. Specialist features were many and Racal Electronics went higher on the chairman's message of a substantial increase in current year profits over the £90m achieved last year; the shares closed 6 higher at 200p. GEC were even more prominent on revived speculation of a bid from BTR but many international issues were subdued because of the pound's rise against the dollar.

Foreign Bonds were out of favour. Recently-firm Chinese issues drifted lower on the appearance of a few sellers and the 4½ per cent 1898 and 5 per cent 1912 stocks sustained falls of 4 points at the common price of £36. Some Greek bonds showed similar losses, the 7 per cent Assented closing at a low for the year of £48.

C. E. Heath weak

Lloyds Broker C. E. Heath succumbed to renewed nervous selling yesterday in reaction to Press reports that its Pinnacle Reinsurance subsidiary is being sued by liquidators of the Bermuda-based Mentor Group and fell to a new 1986 low level of 515p before rallying on the Board's reassuring statement to end the session a net 15 down on balance at 525p; coincidentally, the shares have now fallen 68 since Heath last week announced that it had made a bid approach to Dewey Warren, unaltered at 123p. Others in the sector gave ground in sympathy. Sedgwick lost 7 at 333p and Hogg Robinson relinquished a few pence at 290p Among Composites, Royals, at 857p, retrieved 15 of the previous day's decline of 25 which stemmed from reports that New York could follow Florida's recent lead and reduce premiums on a wide range of policies, including those for commercial properties. General Accident moved up 4 at 804p, but Sun Alliance lost 8 at 675p.

Wintrust highlighted merchant banks with a rise of 20 to 315p in response to the annual results. Mercury International, with preliminary figures scheduled for Monday, gained 10 more at 805p, while Hambros reacted from an initial firm level of 243p after the results to close a couple of pence easier on balance at 233p. News of the appointment of Mr Robin Herbert as chief executive saw Leopold Joseph touch 490p before closing 5 lower at 475p. Elsewhere, Standard Chartered cheapened 6 to 797p awaiting further developments in the Lloyds bid situation. Lloyds rose 4 at 362p.

Coated Electrodes International, a Sheffield-based concern which protects and prolongs the life of electrodes used in steel-making, staged a satisfactory debut. The shares began life in the Unlisted Securities Market at 85p and edged forward to close at 86p, compared with the placing price of 84p.

Apart from Blue Circle, which drifted 5 to 626p, interest in Buildings was mainly confined to second-line issues. Brownlee, which on Monday announced that it had received two bid approaches, advanced 8 more to 108p for a two-day gain of 33. Manders added a further 5 at 293p on further consideration of the sale of its 11.3 per cent stake in Usher Walker, while Fairbriar rose 4 to 164p following the annual results. HAT Group, scheduled to announce preliminary figures on July 15, put on 6 to 109p. Ibstock Johnsen eased 2 more to 166p, still depressed by the proposed £2.3m rights issue.

Sterling's advance unsettled ICI which ended the day 5 off at 969p.

Grattan buoyant

Mail-orders, relatively neglected of late, returned to the fore under the lead of Grattan which advanced 18 to 422p as a reported split buying order stimulated takeover speculation. Excitement spread to Freemans, 408p, and Empire, 196p, up 12 and 2 respectively. Leading Retailers traded in subdued fashion, although Storehouse, in receipt of a broker's bullish circular recently, advanced 13 to 310p. Woolworth dipped to 735p before settling 20 lower on balance at 745p as much-rumoured support from protagonists Dixons failed to materialise; the latter shed 4 to 334p. A. J. Gelfer put on a few pence to 183p awaiting further news regarding the intimated bid from John Crowther, a penny dearer at 165p, while Milletts Leisure hardened 5 more to 220p in further response to the agreed bid from Sears, unchanged at 124p. Owen and Robinson, the jeweller and diamond merchant, was in receipt of an agreed cash offer worth £23 per share from Messrs Davies and Ratner; the shares, last quoted at around 800p each, were marked up to £34 in anticipation of a "shell" operation.

Preliminary figures in line with market expectations accompanied by a confident statement on the current outlook prompted a revival in Racal which advanced to 204p before settling 6 to the good at 200p. Elsewhere in the Electrical leaders, GEC featured a rise of 12 at 208p, after having touched 214p, amid vague talk of a bid from BTR. Apricot, a depressed market recently on the poor preliminary figures, rallied 9 to 59p following news of joint development with British Telecom of a new product combining a personal computer and an advanced telephone; British Telecom eased a couple of pence to 230p. Further consideration of the preliminary results brought a fall of 25 to 295p in Volex, while Dataserv eased a few pence to 175p on the proposed rights issue. BSR featured with a gain of 11 to 108p, after 110p, on revived talk of a bid from Amstrad; the latter eased 6 to 108p. Western Selection, assisted by option demand, put on 8 to 92p.

Engineers passed a quiet trading session. Among the occasional small features, bid speculation enlivened interest in Glynwed, which gained 8 to 332p, while TI, reflecting a broker's review of the company, firmed a similar amount to 534p. Among the leaders, Hawker, an unsettled market of late, held steady at 557p following news of the proposed acquisition of Daytronic Corp. of the US.

Cadbury Schweppes attracted US support and closed 4 higher at 180p, after 181p. Elsewhere in Foods, Argyll's annual results failed to enthuse and the shares held the overnight level of 318p, but Avana fell 11 further to 527p after comment on the preliminary figures. ASDA-MFI came on offer at 138p, down 6, while Hazlewoods declined 30 at 823p.

Pentland down

Pentland Industries fell 20 to 255p on news that the company's US associate Reebok had decided not to go ahead with the proposed acquisition of Stride Rite Corporation. Sute, in contrast, advanced 11 to 245p amid further expansion hopes, while bid speculation left Staffordshire Potteries a similar amount dearer at 136p. Continuous Stationery, regarded as a "shell" situation, put on 6 to 48p, but profit-taking clipped 10 from Valor at 264p. US support and reports of a broker's favourable circular prompted a fresh rise of 12 to 498p in Reuters, while rumours of a bid from Cowan De Groot left Welpac 3 dearer at 18p. Nash Industries, 3 better at 40p, reflected satisfactory interim results. Demand revived for Dwek, which put on 9 to 140p, but further profit-taking prompted a reaction of 10 more to 300p in Bodycote. Halma, a particularly good market of late, reacted 12 to 268p after the preliminary figures. Country buying left Armour Trust 3 higher at 31p. Among the leading miscellaneous industrials, Glaxo, unsettled by Zantac competition fears, lost ½ to £10½. Beecham, reflecting revived speculative activity, hardened a couple of pence to 398p.

Television Services lost 7 to 138p following profit-taking in the wake of acquisition details. Elsewhere in the Leisure sector, Really Useful rose 7 at 385p and First Leisure firmed 5 at 372p; the latter's interim results are scheduled for July 18.

Motors turned easier. The withdrawal of recent US demand left Jaguar 7 off at 523p, while occasional offerings in a restricted market clipped 6 from BL at 48p. ERF fell 4 to 37p awaiting the interim statement. Similar conditions prevailed among Distributors with Lex Service finally 6 cheaper at 387p. Western Motor provided an isolated firm feature, however, rising 15 more to 183p reflecting a newsletter recommendation.

Publishers again trended firmer, where altered. Associated Newspapers were wanted at 320p, up 5, while persistent takeover hopes lifted Home Counties a similar amount to 180p. Among Paper/Printings, James Cropper attained a new peak of 350p before settling 10 to the good at 345p—a two-day advance of 50—in further response to the bumper full-year results. John Waddington, which also revealed excellent annual figures recently, improved 10 more to 919p. Advertising and related issues were mixed. Lowe Howard-Spink rose 13 more to 413p, but Geers Gross encountered sporadic profit-taking and dipped 4 to 81p. Addison Page Chetwyn Streets eased a few pence to 136p following the acquisition of Taylor Nelson, a privately-owned research agency.

Interest in Properties was at a fairly low ebb although Land Securities experienced a speculative flurry to 337p before closing the turn dearer at 333p. MEPC hardened a couple of pence at 347p. Daejan added 10 more to 740p on sporadic support ahead of the results scheduled for July 3 and Bradford gained 15 at 585p. Abaco Investments softened a couple of pence to 67p on profit-taking.

Illingworth Morris dipped 4 more to 123p despite the favourable press afforded to the preliminary figures. Profit-taking was again evident for Hicking Pentecost, a couple of pence off at 45p, while Fowler A shed 8 to 95p for a similar reason. In contrast, buyers returned for Allied Textile, 20 to the good at 305p, and for John Foster, 3 up at 71p.

In Tobaccos, Bats, the subject of substantial US support recently, touched 408p before settling only 4 up on balance at 400p. Rothmans International slumped to 135p in immediate reaction to the full-year figures, but later recovered to 149p—a net gain of 2.

An otherwise lacklustre session in Financials was highlighted by Aitken Hume which advanced 5 to 161p; buyers were encouraged by widespread chatter that unwelcome suitor Tranwood is set to increase its offer. Elsewhere, Antofagasta dipped 25 more to 600p ex the rights issue, while the new nil-paid closed 13 lower at 112p.

BP improve

Interest in the leading oils remained at a low level but a late flurry of US support boosted BP which settled 7 to the good at 580p. Britoil eased a couple of pence to 183p, but Burmah continued to attract buying interest and hardened a shade to a 1986 high of 390p. Preliminary results from IC Gas were in line with market forecasts and the shares moved narrowly before closing unaltered at 400p. Lack of interest saw Carless Capel drift back 5 to 60p. In the Irish sector, Conroy Petroleum and Natural Resources moved ahead to 130p early in the session, on renewed speculative buying, but subsequently drifted back to 123p before ending the day 3 up on balance at 125p.

A quiet morning session in South African mining markets, which saw share prices drift easier on the firm showing by sterling against a weakening dollar, gave way to a flurry of activity during the afternoon. Reports of a bomb explosion in the centre of Johannesburg were followed by an immediate decline in the Financial Rand and London selling of Gold shares quickly followed. Rumours of a second bomb, in the vicinity of the first, spread throughout London markets but were not confirmed. At the close share prices were left with widespread falls and the Gold Mines index, registering its fourth consecutive fall, dropped 4.8 more to 203.7. Bullion moved in the opposite direction, boosted by the lower dollar and worries about possible disruptions to South African output, and settled a net $2.5 firmer at $343.25 an ounce.

The rumours of the South Africa bombings unsettled UK-registered Financials and Consolidated Gold Fields eased a few pence to 428p. Rio Tinto-Zinc gave up 5 to 600p, extending the decline of the past three trading days to 30p.

Another weak performance by overnight Sydney and Melbourne markets, coupled with the further slide in the Australian dollar against sterling, caused widespread falls throughout Australian issues. Most of the leading diversified stocks came under sustained pressure and CRA dipped 6 to 280p. Western Mining 4 to a year's low of 140p and Bougainville 7 to 111p. Bond Corporation moved against the trend and put on 11 more to 167p. Golds failed to respond to the late rise in the bullion price and Central Norseman showed a 10 fall to 350p while Gold Mines of Kalgoorlie lost 5 to 375p and Carr Boyd, a similar amount to 51p. North Kalgurli slipped 3 to 28p with the "new" quoted at 2½p premium.

Traded Options

Demand for Traded Options increased slightly with 16,707 contracts struck—10,712 calls and 6,005 puts. Beecham positions were wanted amid takeover speculation with 2,216 calls transacted.

FINANCIAL TIMES STOCK INDICES

	June 24	June 23	June 20	June 19	June 18	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	90.68	90.47	90.52	90.47	90.65	81.77	94.51 (18/4)	80.39 (23/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.68	96.61	96.43	96.61	96.56	86.35	97.51 (18/4)	86.55 (23/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1339.4	1338.2	1353.4	1350.0	1340.1	951.1	1425.9 (3/4)	1094.3 (14/1)	1425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	203.7	208.5	213.6	216.7	220.9	445.5	357.0 (22/1)	192.3 (12/6)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.12	4.12	4.08	4.08	4.11	4.86				
Earnings Yld.% (full)	9.89	9.87	9.81	9.84	9.90	12.17				
P/E Ratio (net) (*)	12.31	12.35	12.41	12.36	12.29	10.04				
Total Bargains (Est.)	24,575	23,899	23,574	25,654	24,592	21,706				
Equity Turnover £m.	—	584.47	587.66	671.61	548.40	385.18				
Equity Bargains	—	22,936	21,880	22,828	22,338	20,995				
Shares Traded (ml.)	—	233.4	238.7	281.1	242.2	202.0				

S.E. ACTIVITY

Indices	June 23	June 20
Gilt Edged Bargains	123.4	119.9
Equity Bargains	148.6	141.8
Equity Value	1,181.4	1,187.8
5-Day Average		
Gilt Edged Bargains	124.4	123.2
Equity Bargains	146.2	147.5
Equity Value	1,221.1	1,174.7

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1333.4	1336.0	1336.7	1338.4	1338.5	1338.5	1339.7	1339.7

Day's High 1340.3. Day's Low 1333.4.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil—11.88.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tuesday June 24 1986 — Mon June 23 — Fri June 20 — Thurs June 19 — Year ago (approx.)

Figures in parentheses show number of stocks per section

[illegible]

FIXED INTEREST

[illegible]

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (58)

[illegible]

NEW LOWS (29)

[illegible]

BASE LENDING RATES

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

UNIL C	Fl.500	83	3.60	158	17	—	—	Fl.483.50
UNIL P	Fl.480	52	6.40	89	13.50B	20	18	

TOTAL VOLUME IN CONTRACTS: 19,127

A=Ask B=Bid C=Call P=Put

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
June 23	July 4	Sept 25	Oct 6
July 7	July 18	Oct 9	Oct 20
July 21	Aug 1	Oct 23	Nov 3

For rate indications see end of Unit Trust Service

Call options were taken out in G. Ruddle, North Kalgurli, Western Motor A, Western Selection, B. Elliott, Pentland, Conroy Petroleum, Ward White, Unigroup, Pavion International and Wigfalls. No puts or doubles were reported.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change	Stock	Closing price	Day's change
BSR Intl.	108	+11	Heath (C. E.)	525	−15
Bass	788	+3	Land Securities	333	+1
Bowater Inds	337	+7	Racal Elects	200	+6
GEC	208	+12	Rothmans Intl B	149	+2
Grattan	422	+18	Royal Insce	857	+15
Health Care Svs	37	−1	Woolworth	145	−20

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List

Stock	No. of changes	Mon. close	Day's change	Stock	No. of changes	Mon. close	Day's change
NatWest Bank†	18	287pm	−11	Prudential New	13	835	+5
Beecham	15	396	—	APV	12	672	—
Heath (C. E.)	15	540	−28	Bowater Inds	12	330	+5
Hestair	15	186	−17	Cable & Wire	12	688	+10
Brit Aerospace	14	525	−5	Royal Insurnce	12	842	−25
Brit Telecom	14	232	−6	BAT Inds	12	396	+8

† Nil-paid.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	84	9	19
Corpns., Dom. and Foreign Bonds	23	15	33
Industrials	246	373	882
Financial and Props.	73	150	357
Oils	13	34	73
Plantations	0	3	12
Mines	17	80	88
Others	30	129	80
Totals	486	793	1,544

LONDON TRADED OPTIONS

[illegible]

June 24. Total contracts 16,707. Calls 10,702. Puts 6,005

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

JAPAN

JAPAN (continued)

SINGAPORE

SOUTH AFRICA

Pernod Ricard	1,145	+5	Ommeren (Van)	56.9	+0.7
Perrier	671	−9	Pakhoed	50.6	−0.9
Petroles Fra.	375	.....	Philips	53.7	−0.4
Peugeot S.A.	871	−1	Robeco	93.5	−0.9
Printemps (Au.)	519	+15	Rodamco	140.9	−0.6
Radiotech	885	−16	Rolinco	85.5	−1.4
Redoute	1,760	−20	Rorento	50.3	−0.2
Roussel-Uclaf	1,366	+42	Royal Dutch	197	−1.7
Sefimeg	490	−3	Unilever	483.5	−4.8
Skis Rossignol	1,285	+6	VMF Stork	311.5	−5.5
Telemec Elect	2,970	+30	VNU	329	+1
Thomson (CSF)	1,235	+37	Wessanen	294	−3
Valeo	585	.....	West Utr Bank	60	.....

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Prices at 2.30pm June 24

MONTREAL

Closing prices June 23

Total Sales 3,154,624 shares

†—No voting rights or restricted voting rights.

Indices

NEW YORK—DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

NYSE-Consolidated 1500 Actives

Advances 1,624 Declines 525

TORONTO	June 24	June 23	June 20	June 19	1986 High	1986 Low
Metals & Minls	2,121.3*	2,123.6	2,131.11	2,121.8	2,442.85 (21/3)	2,025.3 (21/5)
Composite	3,058.1*	3,052.1	3,058.13	3,060.2	3,129.11 (18/4)	2,754.8 (17/2)
MONTREAL Portfolio	1,559.29*	1,558.28	1,558.81	1,547.85	1,623.33 (18/4)	1,386.6 (22/1)

* Indicates pre-close figure

** Saturday June 21. Japan Nikkei (17454.86), TSE (1348.86).

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 37

Stock		Sales (Hnds)	High	Low	Last	Chng
ParkOh	.60	110	8	7¾	7¾	
PaintM		91	4½	4¼	4¼	− ¼
PaulHr	1	321	22¼	21⅞	21⅞	− ⅜
Paycxs		870	21½	20¾	21½	+ ¾
PeakHC		907	14¾	14	14¾	+ ⅜
PegGld		176	6⅛	5⅞	6	
PenaEn	2.20	3	38	38	38	
Pentair	68	364	29½	29	29½	

Stock		Sales (Hnds)	High	Low	Last	Chng
Rouses	.60	478	31½	31	31½	
RoyPlm	1	25	8½	8¼	8½	+ ¼
RoylRs		315	2¾	2⅛	2¾	+ ½
RustPel		17	7⅞	7⅝	7⅞	+ ¼
RyanFs		2503	24	22	23¾	+ 1½
SAYInd		28	9⅝	9¼	9½	− ¼
SCI Sy		356	17⅞	17½	17⅝	− ⅛
SEI		60	18¼	17¾	17¾	
SFE		5	7	7	7	− ⅛
SHLSy		55	18⅜	18¼	18¼	− ⅛

Stock		Sales (Hnds)	High	Low	Last	Chng
StarSur		275	15¼	14⅞	15⅛	− ⅛
StatBld	.20	38	11	10⅞	10⅞	− ⅛
Standy	1.08	12	42	42	42	
StdMic		197	15⅞	15½	15¾	− ⅛
Stanhm	1.52	278	46¼	45½	46	+ ¼
StaStBs	.72	234	56⅝	55¼	56⅝	+ 1⅜
StateG	.05b	54	5⅝	5½	5½	
Steiger		148	2¾	2⅝	2¾	
StewStv		15	14	14	14	− ¼
Stwinf	.72	6	25¾	25¼	25¾	
Stratus		299	22¼	21¾	22	+ ¼

Stock		Sales (Hnds)	High	Low	Last	Chng
US Bcp	1	243	38½	38⅛	38¼	
US Cap		25	3	2¾	3	+ ¼
USDsgn		168	2	1¾	2	+ ⅛
US HlIC	.12	1562	17½	16½	17⅜	+ ¾
USShelt	.12	185	2⅝	2⅝	2⅝	
US Sur	.40	534	22⅝	22¼	22⅝	+ ¼
US Trs	1.32	244	63½	63	63¼	− ¼
USlatn	.24	x257	18½	18	18	− ¼
UnTelev		5	34	34	34	− ¼
UVaBs	.92	213	34½	34¼	34⅜	+ ⅛
UnvFrn		2	34½	34½	34½	+ ¼
UnvHlt		5120	16½	16⅜	16⅜	

Stock		Sales (Hnds)	High	Low	Last	Chng
RgcyEl	.20	103	6⅜	6¼	6¼	− ⅛
Regrss	.18	10	14¼	14¼	14¼	
Relrab		6	7	7	7	+ ¼
RpAuto	.04j	7	9⅛	9⅛	9⅛	
RpHlth		493	18⅝	18½	18½	
Reuterl	.15e	10	16¾	16¾	16¾	
ReutrH	.34e	2767	45⅞	44⅝	45⅞	+ 1⅜
ReyRys	.70	108	32¼	31½	31¾	− ¼
Rhodes	.32	1353	30¾	29¾	30½	+ ⅝
Ribikn		391	9⅝	9¼	9¼	− ⅜
RichEl		38	22¾	22¼	22¼	
RoadSv	1.10	273	44¾	44¼	44¼	
RobNug	.08	7	12⅛	12⅛	12⅛	
RobVsn		55	6⅝	6½	6½	− ⅜

Stock		Sales (Hnds)	High	Low	Last	Chng
SoctySs		173	25¼	24½	25¼	+ ⅝
Softech		33	8⅞	8⅝	8⅞	+ ⅛
SoftwA		248	19⅞	19½	19½	− ¼
SonocP	.80	71	38	37¼	37¾	− ¼
SonrFd	.15j	11	10	9½	9½	− ¾
SoHosp		62	4¾	4½	4¾	− ⅛
SthdFn	.52	179	20½	20¼	20½	
Soutrst	.68	179	24⅞	24½	24¾	+ ⅛
Sovrgn	.10	163	7¾	7⅝	7⅝	
Sovrans	1.28	865	41½	41¼	41¼	− ⅛
Specdys		79	19¼	19	19	− ¼
Spctran		156	6⅞	6¾	6⅞	
SpecCtl	.07	126	10⅞	10¾	10¾	− ⅛
Spire		106	12¼	11½	11½	− 1

Stock		Sales (Hnds)	High	Low	Last	Chng
USLIC	.80	281	27½	27⅜	27½	
UTL		107	25⅛	24¾	24⅞	
Ultrsy	.08e	343	10⅞	10½	10¾	+ ⅛
Ungrmn		641	12	11⅝	11⅞	+ ½
Unifis		471	14⅞	14⅝	14¾	+ ⅛
UnPlntr		83	38	37½	37½	− ½
UACms	.04	250	18½	18¼	18½	+ ¼
UBAlsk		22	5⅝	5⅝	5⅝	− ¼
UBCol	1.08	78	32¾	32⅜	32¾	
UFnGrp		196	4⅜	4¼	4¼	− ⅛
UFstFd	.20	837	34¾	34¼	34⅝	+ ⅜
UGrdn	1.54t	5	7⅞	7⅞	7⅞	− ⅜
UPresd		16	15½	15½	15½	
US Ant		66	2 11-16	2⅝	2⅝	− 1-16

Stock		Sales (Hnds)	High	Low	Last	Chng
Worthgs	.48	226	29½	29⅛	29½	+ ⅜
Writer	.15e	8	9	9	9	
Wyman	.80	65	22	21½	21½	
X Y Z						
Xebec		208	2¼	2⅛	2 3-16	+ 1-16
Xicor		546	8	7¼	7¼	− ⅝
Xidex		1911	20¼	19⅝	20¼	+ ⅝
YlowFs	.54	123	39¾	39½	39½	− ⅛
ZionUt	1.36	106	57½	57	57	+ ¼
Zitel		2	4	4	4	− ¼
Ziyad		220	4⅞	4½	4⅞	+ ⅜
Zondvn		162	21⅝	21⅛	21⅜	+ ⅛
Zymos		52	2⅝	2⅜	2⅜	− ¼

TOKYO

Continued from Page 38

Y70 setback to Y1,030 in contrast to Monday's Y103 daily limit increase. But Brother, which recently began marketing computer software products, scored a daily limit gain of Y100 to Y800. Nihon Nosan Kogyo added Y70 to Y930.

Budget-affected stocks eased, with the exception of Ohbayashi. It rose Y2 to Y660 on trading of 18.39m shares, and Daiwa House was up Y40 to Y1,500. Blue chips, excluding heavy electricals, were mixed, with Mitsubishi Estate finishing at Y2,140, down Y60.

Buying increased on the bond market, mirroring the fast recovery of futures trading. The yield on the benchmark 6.2 per cent government bond maturing in July 1995 fell from Monday's 4.895 per cent to 4.81 per cent. The 5.1 per cent government bond yielded 5.11 per cent, down from 5.2 per cent.

SINGAPORE

PROFIT-TAKING took Singapore sharply lower as caution over recent gains set in.

The Straits Times industrial index fell 11.16 to 765.73, with blue chips suffering some of the worst declines of the session.

Among banks DBS shed 15 cents to S$6.95, Malay Banking was 4 cents down at S$4.10, OCBC lost 20 cents to S$7.50 and UOB was 14 cents lower at S$4.12.

Promet, the most active share of the day for the second consecutive session, closed 5 cents down to 58½ cents. Singapore Press fell 10 cents to S$7.60, also in active trading.

Elsewhere among industrials, Sime Darby managed one of the few gains of the session, adding 2 cents to S$1.60, while Singapore Airlines was unchanged at S$7.05. Haw Par Brothers lost 3 cents to S$2.86 and Straits Trading 8 cents to S$3.08.

AUSTRALIA

FURTHER losses by BHP and generally weak industrials left Sydney easier. The All Ordinaries index closed 8.9 down at 1,205.9.

Rumours of a big share purchase by Adsteam, unchanged at A$12.60, trimmed 20 cents off BHP which closed at A$8.56. Bell Resources closed 5 cents down at A$4.30 while its parent Bell Group shed 20 cents to A$9.30.

Mines were generally lower, with CRA down 4 cents to A$6.25 and Bougainville 10 cents lower at A$2.50. Gold mines, however, were generally firmer, with Poseidon adding 5 cents to A$3.10.

Banks followed the weaker trend. ANZ fell 6 cents to A$5 and National Australia Bank 8 cents to A$5.70.

Among media stocks Herald and Weekly Times fell 18 cents to A$6.30 and News Corp 8 cents to A$20.20.

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES		
Ex 12% '13–'17	£128⅛	+ ⅝
Aitken Hume	161	+ 5
Apricot Comps	59	+ 9
BSR Intl	108	+11
Cadbury Sch	180	+ 4
Glynwed Intl	332	+ 8
Grattan	422	+18
Owen & R	£34	+26
Racal Elec	200	+ 6
Reuters B	498	+12
Royal Insce	857	+15
Staff Pott	136	+11
Storehouse	310	+13
Suter	245	+11
W Motor	183	+15
Wintrust	315	+20
FALLS		
ASDA-MFI	138	− 6
BL	48	− 6
Glaxo	£10½	− ¼
Halma	268	−12
Heath (C. E.)	525	−15
Pentland Ind	855	−20

Prices at 3pm, June 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25¼	12¼	AAR s	.44	1.8	21	48	22⅞	22⅝	22⅞	+¼
30	21¾	ADT	.92	3.3		78	27⅝	27⅜	27⅝	+⅜
31⅜	11½	AFG s			20	x377	31¼	30⅞	31¼	+⅝
25⅜	13¾	AGS			14	40	19⅝	19¼	19⅝	+⅛
15	8⅞	AMCA				3	12¾	12¾	12¾	
60⅝	37½	AMR			12	12170	57⅛	56⅜	56⅝	+¾
25¾	18⅝	AMR pf2.18		8.8		14	24⅞	24⅞	24⅞	
27½	23¼	ANR pf2.67		11		1	25⅜	25⅜	25⅜	−⅝
12½	7⅝	APL			6	17	10⅞	10⅝	10¾	−⅛
16¾	11⅛	ARX	.71t	5.7	11	38	12⅝	12⅜	12⅜	−⅛
51	32⅜	ASA	2a	6.4		666	32¼	d30¾	31¼	−1¼
18⅝	10½	AVX		2.6		247	12⅝	12⅜	12⅜	+⅛
32	22⅝	AZP	2.72	9.9	7	2678	27⅜	27¼	27⅜	
51	26⅜	AbtLb s .84		1.7	25	2746	50⅞	49⅝	50¾	+1⅜
32	19⅝	AccoWd.56		2.0	19	186	28⅞	28⅝	28⅝	−¼
17¼	10	AcmeC .40		3.2		52	12⅞	12½	12½	−¼
9¼	7	AcmeE .32b		4.1	19	17	8	7⅞	7⅞	−⅛
20¾	17	AdaEx 1.90e		9.5		91	20⅛	19¾	20	
33⅜	16	AdmMl .40		1.3	14	28	31¾	31¼	31½	+¼
20⅜	10¾	AdvSys.03t		4.6	9	64	18⅛	17⅝	18	+½
32⅞	20⅜	AMD				3180	21¼	20⅜	21	+½
12⅝	8	Adobe n				16	8⅛	8	8⅛	+⅛
20¼	15¼	Adob pf2.40		12.		2	19⅜	19⅜	19⅜	
18⅜	7⅜	Advest .12a		.7	13	147	16⅝	16⅜	16½	−⅛
66¼	42¼	AetnLf 2.64		4.4	11	1477	60⅝	59¾	60⅝	+⅞
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 37

NYSE COMPOSITE PRICES

Continued from Page 36

X Y Z

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
58¼	53¼	Xerox pf5.45		9.8		531	55⅝	55⅜	55⅝	+⅛
28¾	20⅝	XTRA	.64	2.9		585	22⅝	22	22⅛	+⅛
17⅝	13½	Yorkin n				303	17	16⅝	17	+¼
38	26¼	ZaleCp 1.32		3.5		783	38	36½	37½	+1
10⅜	3½	Zapata	.03i			1175	4⅜	4⅛	4¼	+⅛
85¾	47¾	Zayre	.64	.7	26	557	u85½	85⅛	85¾	+⅝
43¼	23⅞	Zayre wi				13	u43½	43	43½	+½
17	11⅛	Zemex	.40	3.0	14	6	13½	13½	13½	
29⅞	16¼	ZenithE				945	24⅝	24¼	24½	+½
18¼	8⅝	ZenLb s			22	592	17	16⅝	16⅞	+⅜
22⅞	14⅛	Zero s	.20	1.6	17	55	17¾	17⅝	17⅝	−⅛
45¾	32¼	Zurnin 1.32		3.5	13	244	37¾	36¾	37¾	+¾

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, June 24

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 35

FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Bonds spark renewal of confidence

A FALL in yields in the bond market inspired renewed confidence in Wall Street stocks yesterday, *writes Terry Byland in New York.*

Blue chips rose sharply in active trading after brushing off some early selling. Industrial stocks were helped by gains in transportation and utility stock indices. Airline stocks responded favourably to the news of problems at People Express, a major fare discounter.

Bonds gained three quarters of a point after the latest statistics on US durable goods orders were interpreted as showing sluggishness in the economy. While orders rose 0.4 per cent, the non-defence sector showed a significant fall. Reports that Japan's economy contracted in the first quarter of the year raised hopes that Tokyo would lead another round of reductions in global interest rates.

In the stock market the downturn in bond yields again outweighed the impact of an apparently slowing economy. Initial selling, a continuation of the reaction to Friday's witching hour upsurge, soon ended, and at midsession the market leaders advanced strongly, powered by trading programmes sparked off by premiums in the bond and stock index futures.

At 3pm the Dow Jones industrial average was up 12.80 at 1,877.06.

The Dow transportation average, whose weakness has been a bearish factor for the industrial stock market, extended Monday's late upswing as People Express disclosed it might sell all or part of the airline. The distress at this leading discount carrier was good news for the other major airlines. Wall Street has been fearful that another fare-cutting war would damage airline industry earnings.

Stock in People Express, down from $8 since last week, rallied $⅛ to $5⅜ yesterday in very heavy trading on the over-the-counter market.

Major domestic carriers which have faced price-cutting competition from People Express, were also active. American gained $1 to $56⅞, United $1⅛ to $56⅛ and Northwest Air $¾ to $51.

On the American Stock Exchange, Texas Air jumped $2½ to $37, in heavy trading. But Pan Am still unsettled by prospects for the equity stake held by Resorts International, eased $¼ to $6.

Tobacco stocks rose strongly, topping the NYSE actives list. Philip Morris gained $1½ to $72¾ after terminating plans to sell Seven-Up – a move favourably received by Wall Street in view of a recent federal ban on acquisition plans by Coca-Cola and Pepsico.

US Tobacco, still benefiting from a favourable court ruling on a cancer-liability suit, added $⅝ to $41¾ while Reynolds Nabisco, at $53¾, gained $1½ in heavy trading.

A spurt of programmed buying sent IBM ahead $1⅞ to $148½ with Honeywell rising $⅜ to $75⅞, Burroughs by $⅞ to $62 and Digital Equipment by $1 to $85⅞.

Oils held steady as the Opec meeting in Yugoslavia continued. Texaco weakened $⅞ to $31⅞ after the Supreme Court agreed to review an interior court ruling on the $11.1bn Pennzoil penalty payment case – thus re-opening the financial threat to Texaco. Pennzoil edged up $¾ to $52.

Associated Dry Goods traded heavily, but a gain of $⅜ left the stock at $65¼, against May Department's $66-a-share planned offer – with the arbitrageurs evidently unimpressed by Associated's stated intention to seek a higher bid. May Department eased $⅜ to $82⅜.

Profit-takers moved in on some of the speculative gains in retail stocks in Monday's session. J.C. Penney shed $⅜ to $80¾ and Federated Department Stores $¼ to $87⅞. K mart firmed $½ to $54⅛.

In the credit market short-term yields showed little change behind federal funds steady at 6⅞ per cent. Bonds extended early gains to just under a full point on increased retail interest.

LONDON

INTEREST shifted from equities to government securities in London following signs of a slowdown in the economy, the strength of sterling and firmness in the US bond market.

Share prices recovered small losses earlier in the session to close higher on balance. The FT Ordinary share index added 1.2 to 1,339.4.

Among actives Racal Electronic added 6p to 200p on the results, and GEC added 12p to 208p on revived rumours of a bid for the group.

Chief price changes, Page 35; Details, Page 34; Share information service, Pages 32–33

SOUTH AFRICA

GOLDS closed mixed to firmer in Johannesburg while industrials ended the session higher.

Buffelsfontein added 50 cents to R82 and Free State Consolidated 25 cents to R32.25. Mining financials and other minings closed firmer.

Industrial Barlow Rand added 10 cents to R18.20.

EUROPE

Intimidated by weaker dollar

THE WEAKER DOLLAR intimidated the larger European bourses yesterday although some of the smaller exchanges managed to make modest progress.

Frankfurt oscillated further with another 24.6 decline in the Commerzbank index to 1,954.3 after Monday's gain of 27.6.

The overnight drop both on Wall Street and in the dollar exchange rate unsettled most export sectors, particularly car makers. Daimler suffered a swift DM 35 write-down to DM 1,365 while BMW closed DM 8 cheaper at DM 587. Porsche, which is heavily dependent on the US market, retreated DM 19 to DM 1,015.

Deutsche Bank was hardest hit among the universal banks with its DM 15.50 drop to DM 776.50 while Dresdner turned DM 7.20 lower to DM 415.50. Commerzbank finished the session DM 6.50 weaker at DM 307.50.

Siemens led electricals lower with a DM 9 retreat to DM 634 while Karstadt proved the weakest spot among the leading retailers with its DM 9.20 decline to DM 340.

The bond market was lethargic as foreign investors remained on the sidelines. Longs fell by up to 30 basis points, but isolated gains of 10 basis points were scored.

The recent 5¾ per cent 1996 federal loan stock dropped 25 basis points to 98.85 while the 6 per cent 2016 tranche fell 30 basis points to 97.80.

Yesterday's 6 per cent 1996 bond for the Bundespost met initial quotes of less 1¼, less ¾ in interbank trading.

The Bundesbank bought DM 4.1m worth of domestic paper compared with Monday's purchases of DM 39.3m.

Zurich edged lower in the wake of a lower dollar, the overnight fall on Wall Street and rising local interest rates.

Swissair held steady at SFr 1,650, while its registered form dropped SFr 15 to SFr 1,335. Among banks, Baer led the decline with its SFr 1,000 drop to SFr 18,000.

Profit-takers surfaced among the chemical majors while engineers saw Fischer bearer down SFr 50 to SFr 1,550 despite reporting more progress in 1986.

Amsterdam weakened under the force of transatlantic influences, with internationals meeting persistent selling.

Royal Dutch fell Fl 1.70 to Fl 197, and Akzo retreated 70 cents to Fl 167.30.

Banks were mixed, with NMB down Fl 4 to Fl 196 and ABN steady at Fl 581.50.

The bond market was pre-occupied with subscriptions for the new 6.25 per cent bullet state loan tender.

Paris was slightly higher in hesitant trading as investors were torn between the optimistic GDP growth forecasts of 2.5 per cent this year and 3 per cent in 1987 and the more immediate impact of a ⅛ percentage point rise in the overnight call money rate to 7⅛ per cent.

Milan firmed, with insurers finding more support. Generali gained a further L1,700 to L124,700 while motor group Fiat added L170 to L11,720. Montedison, which announced a marketing agreement with the US engineering group Hercules, firmed L104 to L3,289.

After-bourse trading, however, took most shares sharply lower.

Brussels was mixed to higher in thin trading as Petrofina bounded BFr 120 to BFr 8,350 on strong first-half forecasts.

Stockholm was quietly lower while **Madrid** turned down with utilities particularly weak.

HONG KONG

A BOUT of selling late in the session weakened Hong Kong where the Hang Seng index shed 13.25 to close at 1,763.90.

Among banks East Asia was unchanged at HK$17.90, but Hongkong and Shanghai fell 5 cents to HK$6.75 and Hang Seng lost a similar amount to HK$34.50.

Utilities were generally lower. China Light lost 20 cents to HK$15.90 and Hongkong and China Gas 40 cents to HK$1540.

CANADA

THE firmer bullion price continued to boost golds in Toronto which provided some of the few bright notes in an otherwise mixed session.

Among golds Lac Minerals traded C$½ higher to C$21⅞, and Campbell Red Lake added C$⅝ to C$21⅛.

Montreal was closed for a Quebec provincial holiday.

TOKYO

Institutional caution prompts fall

INSTITUTIONS continued buying low-priced large-capital issues in Tokyo yesterday, but they quickly grew cautious of a rapid advance towards the close, and prices suffered a setback, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average fell 115.49 to 17,342.40, the first drop in six sessions. Volume remained high, however, at 864m shares compared with Monday's 869m. Losses outpaced gains 536 to 327, with 128 issues unchanged.

Institutional investors and businesses with surplus funds bought steel, shipbuilding and chemical stocks.

Ishikawajima-Harima Heavy Industries, popular since early this month, topped the actives with 65.37m shares traded. It advanced Y8 at one stage but closed Y10 lower at Y297 under selling pressure. Nippon Kokan, with 59.33m shares traded, lost Y6 to Y187 after an earlier Y3 rise.

Toshiba was popular, reflecting a redevelopment plan at the company's site in the Keihin region between Tokyo and Yokohama. Market observers said buyers apparently sought immediate capital gains. The stock rose Y43 to Y458 at one stage, finishing Y25 higher at Y440 on volume of 48.74m shares. Other heavy electricals also firmed, with Mitsubishi Electric rising Y9 to Y366 and Hitachi Y5 to Y875.

Profit-taking left Tokyo Gas down Y15 to Y491 while Tokyo Electric Power fell Y100 to Y4,100.

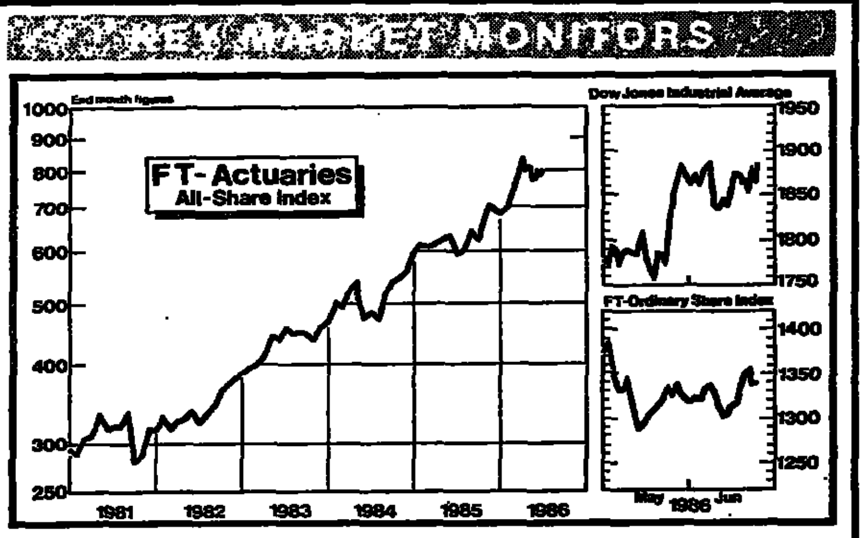
Toho Rayon rose Y37 to Y627 on hopes of increased demand for carbon fibre. This encouraged investors to buy other synthetic fibre issues, and Toray added Y6 to close at Y580.

Among trading houses C. Itoh climbed Y15 to Y524 and Sumitomo Y12 to Y872. Mitsubishi, which gained Y20 on Monday, lost Y19 to Y811.

Incentive-backed stocks showed sharp price moves. Takara Shuzo suffered a

Continued on Page 35

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	June 24	Previous	Year ago
DJ Industrials	1,877.06*	1,864.26	1,320.56
DJ Transport	785.50*	782.63	646.89
DJ Utilities	190.86*	189.17	165.01
S&P Composite	247.34*	245.26	189.15
LONDON			
FT Ord	1,339.4	1,338.2	952.1
FT-SE 100	1,624.9	1,622.8	1,266.6
FT-A All-share	801.84	801.50	604.08
FT-A 500	886.12	885.34	658.43
FT Gold mines	203.7	208.5	445.5
FT-A Long gilt	9.38	9.43	10.57
TOKYO			
Nikkei	17,342.40	17,457.89	12,765.9
Tokyo SE	1,344.90	1,351.0	1,017.20
AUSTRALIA			
All Ord.	1,205.9	1,214.8	857.4
Metals & Mins.	519.2	524.4	510.5
AUSTRIA			
Credit Aktien	117.84	117.51	102.54
BELGIUM			
Belgian SE	3,656.64	3,642.06	2,327.45
CANADA			
Toronto			
Metals & Minls	2,121.3*	2,123.61	1,883
Composite	3,059.1*	3,052.1	2,704.8
Montreal			
Portfolio	1,550.29*	1,550.29	132.04
DENMARK			
SE	217.31	216.5	193.80
FRANCE			
CAC Gen	346.60	346.0	228.2
Ind. Tendance	131.10	131.3	83.2
WEST GERMANY			
FAZ-Aktien	650.02	658.69	484.01
Commerzbank	1,954.30	1,978.9	1,429.0
HONG KONG			
Hang Seng	1,763.90	1,777.15	1,561.13
ITALY			
Banca Comm.	574.86	668.28	336.75
NETHERLANDS			
ANP-CBS Gen	288.90	291.6	210.6
ANP-CBS Ind	283.00	285.3	174.4
NORWAY			
Oslo SE	366.01	364.84	326.27
SINGAPORE			
Straits Times	765.73	776.89	792.44
SOUTH AFRICA			
JSE Golds	–	1,280.3	1,014.3
JSE Industrials	–	1,159.4	977.0
SPAIN			
Madrid SE	178.28	181.83	78.56
SWEDEN			
J&P	2,403.97	2,435.15	1,314.77
SWITZERLAND			
Swiss Bank Ind	560.50	565.0	440.5
WORLD	June 23	Prev	Year ago
MS Capital Int'l	320.2	322.2	213.1

COMMODITIES

(London)	June 24	Prev
Silver (spot fixing)	334.35p	342.95p
Copper (cash)	£918.50	£937.00
Coffee (September)	£1,766.00	£1,821.00
Oil (Brent blend)	$11.30	$11.425

GOLD (per ounce)

	June 24	Prev
London	$342.45	$340.75
Zürich	$342.20	$340.70
Paris (fixing)	$341.78	$340.65
Luxembourg	$341.05	$339.40
New York (Aug)	$345.2	$343.30

CURRENCIES

	US DOLLAR		STERLING	
(London)	June 24	Previous	June 24	Previous
£	–	–	1.517	1.5000
DM	2.2220	2.2485	3.37	3.3725
Yen	166.6	167.9	252.75	251.75
FFr	7.0825	7.1675	10.745	10.75
SFr	1.822	1.8475	2.765	2.7725
Guilder	2.502	2.5315	3.795	3.7975
Lira	1,523	1,541.5	2311	2,312.25
BFr	45.5	45.86	69.05	68.75
C$	1.3855	1.3875	2.0955	2.085

INTEREST RATES

	June 24	Prev
Euro-currencies (3-month offered rate)		
£	9¾	9 13/16
SFr	5 11/16	5⅝
DM	4⅝	4⅝
FFr	7⅝	7⅝
FT London Interbank fixing (offered rate)		
3-month US$	7	7 1/16
6-month US$	7	7 1/16
US Fed Funds	6⅞*	6⅞
US 3-month CDs	6.60*	6.925
US 3-month T-bills	6.06*	6.29

US BONDS

Treasury	June 24 Price	Yield	Prev Price	Yield
7¼ 1988	100 9/32	6.96	100	7
7¼ 1993	99[illegible]	7.42	99[illegible]	7.52
7⅛ 1996	99[illegible]	7.45	98[illegible]	7.54
7¼ 2016	98[illegible]	7.37	97[illegible]	7.435

Source: Harris Trust Savings Bank

Treasury Index Maturity (years)	June 24* Return index	Day's change	Yield	Day's change
1–30	151.82	+0.44	7.57	–0.06
1–10	144.21	+0.29	7.41	–0.05
1– 3	135.90	+0.10	7.12	–0.03
3– 5	145.99	+0.29	7.61	–0.06
15–30	178.27	+0.96	8.10	–0.05

Source: Merrill Lynch

Corporate	June 24* Price	Yield	Prev Price	Yield
AT & T				
3⅞ July 1990	90	6.78	89⅞	6.79
SCBT South Central				
10⅞ Jan 1993	106⅜	9.61	105⅞	8.13
Phibro-Sal				
8 April 1996	98	8.30	97.70	8.40
TRW				
8⅞ March 1996	102⅛	8.37	102¼	8.45
Arco				
9⅞ March 2016	104⅛	9.50	103⅞	9.43
General Motors				
8⅛ April 2016	91⅛	8.98	90⅝	9.01
Citicorp				
9⅜ March 2016	97⅜	9.60	97	9.68

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	98–12	98–15	97–22	97–29
US Treasury Bills (IMM) $1m points of 100%				
Sept	94.28	94.29	94.22	94.21
Certificates of Deposit (IMM) $1m points of 100%				
Sept	93.67	93.67	n/a	93.60
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	93.32	93.35	93.28	93.23
20-year Notional Gilt £50,000 32nds of 100%				
Sep	121–30	122–14	121–22	121–11

* Latest available figures